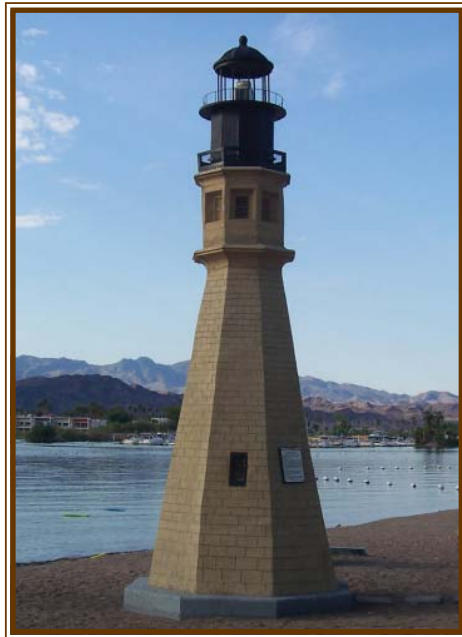
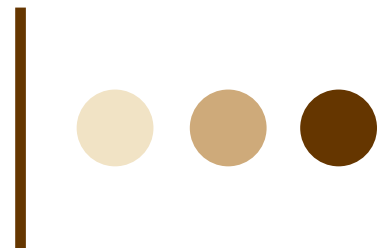


Comprehensive Annual Financial Report

For the Year Ended June 30, 2008



Lake Havasu City
Arizona





Lake Havasu City, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

CITY COUNCIL

Mark S. Nexsen
Mayor

Dennis Schilling
Vice Mayor

Cindy Aldridge
Councilmember

David McAtlin
Councilmember



Margaret Nyberg
Councilmember

Allan Sturtevant
Councilmember

Brian Wedemeyer
Councilmember

CITY STAFF

Richard Kaffenberger
City Manager

Finance Department staff responsible for CAFR presentation

Gayle Whittle
Finance Director

Sharon Lawrence
Accounting Manager

Dena Heald
Senior Accountant

LAKE HAVASU CITY

www.lhcaz.gov

2330 McCulloch Boulevard N. Lake Havasu City, AZ 86403

(928) 855-2116



MAYOR & CITY COUNCIL



Mark S. Nexsen
Mayor

Term Expires 11/2010



Dennis Schilling
Vice Mayor

Term Expires 11/2008



Margaret Nyberg
Councilmember

Term Expires 11/2010



Cindy Aldridge
Councilmember

Term Expires 11/2008



Allan Sturtevant
Councilmember

Term Expires 11/2008



David McAtlin
Councilmember

Term Expires 11/2010

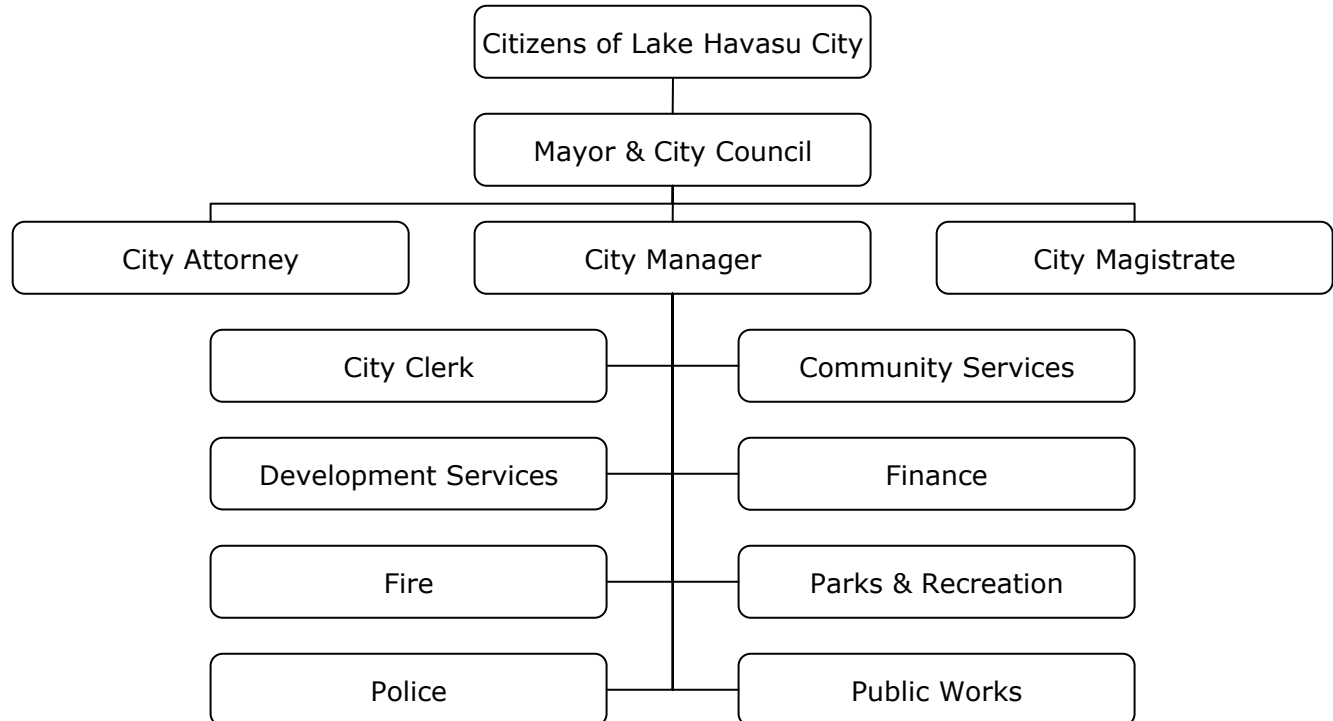


Brian Wedemeyer
Councilmember

Term Expires 11/2010



ORGANIZATION CHART



MANAGEMENT STAFF

Richard Kaffenberger, City Manager

DEPARTMENT DIRECTORS

Clyde Andress, Magistrate
W. Mark Clark, Interim Public Works Director
Larry Didion, Development Services Director
Dan Doyle, Police Chief
Paul Lenkowsky, City Attorney
Dennis Mueller, Fire Chief
Bill Mulcahy, Parks & Recreation Director
Carla Simendich, City Clerk
Stan Usinowicz, Community Services Director
Gayle Whittle, Finance Director



VISION - MISSION - CORE BUSINESSES

VISION

A Residential and Resort Community . . .

- Blue lake, beautiful mountains
- Active lifestyle
- Opportunities to make a living
- A great place to live and work

MISSION

Lake Havasu City Strives to . . .

- Provide first class services for our citizens, businesses, and guests
- Build and maintain quality city infrastructure and facilities
- Develop and maintain a strong partnership between city government and the community
- Maintain a financially healthy and sustainable city government

CORE BUSINESSES Our Core Businesses include . . .

- Protect citizen safety and security
- Operate water and sewer systems
- Provide quality of life facilities and programs for all citizens
- Support diversified economic expansion and vitality

LAKE HAVASU CITY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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INTRODUCTORY SECTION

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LAKE HAVASU CITY

November 14, 2008

To the Honorable Mayor, Members of the Governing Council, City Manager, and Citizens of Lake Havasu City, Arizona

We are pleased to submit the 2008 Comprehensive Annual Financial Report (CAFR) of Lake Havasu City, Arizona (City). This report is submitted in accordance with Arizona Revised Statutes, Section 9-481, which requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Cronstrom, Osuch & Company, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on Lake Havasu City's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Lake Havasu City Profile

Lake Havasu City was founded in 1963 as a master-planned community with an emphasis on recreation and residential retirement. The City, incorporated in 1978, is located in the western part of Arizona on the Colorado River and is one of the top growth areas in Mohave County. It currently encompasses approximately 42 square miles and serves a population of approximately 55,263. Lake Havasu City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

Lake Havasu City has operated under the council-manager form of government since 1978. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members. The Mayor and Council Members are elected at-large for four-year terms. Their terms are staggered on a two-year basis.

The Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and City Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City provides a full range of services, including police and fire protection, airport, water and sewer services, construction and maintenance of streets, recreational and cultural events, transit services, planning and zoning services, housing rehabilitation, and general administrative services. Lake Havasu City offers a wide range of community facilities including a community center, aquatic complex, and fifteen City-controlled parks.

The City contracts for sanitation services, which includes waste collection, recycling pickup and landfill operations, jail services, animal control, tourism development, social service functions, and economic development.

Local Economy

Lake Havasu City's economy is based primarily in tourism, building and construction, government and marine industry, although efforts continue to further diversify the local economy. The City has benefited in the past from steady national and state retention of forward momentum of growth in these areas but has realized a decline beginning in the prior fiscal year that has continued throughout fiscal year 2007-08, mirroring the national and state economic downturn. Construction and retail are reflecting the heaviest downturn and are negatively impacting the City's related sales tax revenues. The City is faced with balancing the declining revenue sources with many critical growth issues, but its citizens and municipal government are committed to finding solutions for the future.

The City's Strategic Plan for Economic Development outlines strategies for economic diversification to create a more stable economic base. The plan calls for a balanced development of retail, commercial, manufacturing, restaurant, lodging, and entertainment. The City continues to be a desirable location for work, destination, and living due to the favorable housing market, continuing low mortgage interest rates and the opportunity for growth. The City has contracted for the research on the feasibility of workforce housing. Recruitment efforts continue for commercial enterprises to complement the existing industry, with focus on growing the tenant base of the regional mall, expanding the marine industry, light manufacturing and resort opportunities.

The City recognizes that the protection and acquisition of public shoreline access, preservation of sensitive lands, renovation of the London Bridge, building the Freedom Bridge (the second bridge to the Island), development of the Bridgewater Channel, development of a mainland marina, golf course and four-year university and revitalization of downtown Mainstreet are critical to the economic well-being of the community.

Tourism

Lake Havasu City continues to enjoy seasonal influxes of residents from throughout the United States and Canada, especially during the winter months. The London Bridge, which is one of the largest tourist attractions in Arizona, continues to draw visitors from around the world. Focus on future development of the Bridgewater Channel, which is adjacent to the bridge, and resort development on the Island is a priority for the City for continuous, steady tourism revenue. The Tri-City Council (Bullhead City, City of Kingman, and Lake Havasu City) is studying the feasibility of a regional transportation system. A Regional Ground Connector System study has been approved for funding by the federal government through Western Arizona Council of Governments.

Construction

Housing (single-family, two-family, and multi-family) construction has declined considerably during the year. Issuance of single-family housing permits decreased 67% over the previous year's total of 312 to a total of 104 in fiscal year 2007-08. Since fiscal year 2003-04, single-family housing permits have averaged 642 per year. The decline in the total number of permits issued has caused a drop in estimated building valuation from \$65,353,433 in 2006-07 to \$22,037,907 in 2007-08, representing a 66% reduction.

New commercial building permits decreased 17% from the previous year with 24 commercial building permits in fiscal year 2007-08 as compared to 29 permits in fiscal year 2006-07. Actual permits decreased significantly; however, the average commercial permit in fiscal year 2007-08 was valued at \$2,397,456, representing an increase of 75% over the previous year's estimated average valuation of \$1,368,858. Commercial addition permits increased 18% in fiscal year 2007-08, with 103 permits compared to the previous fiscal year's permits of 87. In addition, commercial addition valuations in fiscal year 2007-08 averaged \$170,696, an increase of 185.5% when compared to the fiscal year 2006-07 average valuation of \$59,791. Overall the trending indicates a shift from new residential to new commercial focus in the construction industry, also an indicator of growth to accommodate the increasing population.

While the City's growth rate over the past five years has been significant, it has recently slowed due to the shake up of the mortgage industry and the excess supply of existing housing. The projected build-out population figure for the City is estimated at 96,000. It is important to realize that there are potential constraints to achieving the population build-out figure. These constraints include water availability, transfer of land from public to private use, and infrastructure.

Some significant planned developments currently underway or scheduled to begin in fiscal year 2008-09 are:

Commercial

- **The Centre Development** - A 215-acre planned development with three commercial nodal areas and one regional mall commercial nodal area. The Centre is zoned for Regional Mall, Power Center, Auto Mall, Hotels, Convention Center and Office Complex. The following areas within The Centre development broke ground in fiscal year 2006-07 and are currently under construction:

- ◆ **The Regional Mall** - A general development plan for a 105-acre regional mall development within the regional mall commercial node. The grand opening of the mall began in phases in March 2008 with four anchor stores and new tenants steadily coming online.
- ◆ **The Anderson Auto Mall** - This 37.4-acre auto mall and commercial development, within the commercial node, will create 12 commercial lots. A new Toyota dealership is proposed for one of the lots. Construction began in 2008.
- **Campbell Cove** - An 18.74-acre parcel to include a boat dealership and storage facility, campground, convenience store/gas station, and other commercial uses. This complex began phased openings in 2008.
- **Havasu Foothills Downtown** - The Havasu Foothills Town Center will provide a total of 137,580 square feet of commercial / retail / residential space dispersed among eleven buildings. The residential component (reflected under residential as Havasu Foothills Estates) will be comprised of 15 second story residential condo units totaling approximately 21,000 square feet. The remaining 116,580 square feet will comprise retail and office type uses.
- **Havasu Air Center** - This is a new upscale Fixed Based Operation on an 8.11 acre parcel within the Lake Havasu City Airport in the A-1 (light agricultural) zoning district.
- **Air Industrial Park** - This will be a three phase 84-acre industrial park located south of the airport. The property will be subdivided to allow for light industrial uses.
- **Sunflower Plaza** - This is a new 16,289 square foot commercial retail/office building in the C-1 (limited commercial) zoning district of S. Lake Havasu Avenue.
- **64-unit Hotel** - A 64-unit hotel along N. Lake Havasu Avenue with a 1,500 square foot restaurant in the northwestern portion of the property and a 600 square foot retail building in the southwestern portion of the property.
- **Millennium Plaza** - This is a general development plan for a 4.42 acre property consisting of 88 residential units and 49,000 square feet of commercial use retail/commercial and condominium uses in the area adjacent (south) of the London Bridge.

Residential

- **Sonoran Hills** - A four-phase development with a project area of 14.13 acres. The general development plan proposes 25 buildings with a total of 243 dwelling units, including the main recreation area, clubhouse, pool, and spa.
- **Sailing Hawks** - A 56-acre Sailing Hawks Planned Development. There are five phases to this mixed residential development, which will include recreation areas, a clubhouse, pool, spa and fitness center, shade structures, and a gated private drive.

- **Grand Island Estates** - This Island development is a planned subdivision of nine use areas as follows: 5.4 acres – commercial, 6.5 acres – casitas, 11.2 acres – resort, 23.4 acres – single family, 18.9 acres – townhouses, 15 acres – park parcel, 13.8 acres patio homes, 11.6 acres – dual homes.
- **Havasu Foothills Estates** - A residential/commercial development is currently underway in the eastern limits of the City. The planned development consists of 640 acres which will feature 697 residential units. Phase I is comprised of 225 units, Phase II includes 328 units, and Phase III would accommodate the remaining 144 units.
- **River Ranch Villas** - A 33-lot townhome development located in the south end of the City.
- **Becket House Expansion** - This is an expansion of the existing development to include 30 new one-bedroom and 20 new two-bedroom units within the Becket House Planned Development.
- **Residential Activity Outside City Boundaries**
 - ♦ **North Pointe (Fidence)** - A residential project consisting of 650 houses.
 - ♦ **Bella Lago Condominium Project** - A 240 unit development with recreational amenities, a clubhouse and 30-foot tall watercraft parking area fronting London Bridge Road.

Employment and Job Growth

Lake Havasu City's employment relies heavily on the construction and tourism sector. The City's labor force is reflecting a downturn with an unemployment rate of 3.9%, as reported by Arizona Department of Economic Security. This rate increased when compared to last year's rate in June 2007 of 3.1%. The City's employment rate still remains lower than the state average and the national average. The state's employment and job growth are beginning to reflect levels of prior recessionary periods. In June 2008, the state's unemployment rate was 5.0%, up from 3.4% from the prior year. The national unemployment average in June 2008 was 5.5%.

Lake Havasu City had no new major employers recruited to the area during fiscal year 2007-08. The average annual salary is \$24,837. The City is looking forward to attracting new employers in the service, retail, and manufacturing industries. The regional mall is expected to provide a considerable number of new positions to the area.

Long-term Financial Planning

The City responds to changing economic challenges with careful long-range planning for fiscally healthy conditions. With conservatism in mind, the budget is prepared with maximization of operating efficiencies. The financial position of the City at the close of fiscal year 2007-08 reflects better than expected reserves; however, this was attained by carry forwards of capital projects into fiscal year 2008-09 and cutting back on operating expenditures. The favorable condition will allow the City to weather the negative economic climate without sacrificing current levels of services provided to the citizens of Lake Havasu City (streets, water, sewer, sanitation, police, fire, parks and recreation and public transit).

In order to provide flexibility to respond to unanticipated revenue decreases or unexpected expenditures, The City will maintain a “Contingency Fund” of 5% of the average actual fund revenues for the preceding five fiscal years in the General Fund, Irrigation & Drainage District Fund (operating and maintenance only), Wastewater Fund (operating and maintenance only) and the Highway Users Revenue Fund. The City also has a policy to maintain a 5% fund balance in these funds. The City’s Fiscal Sustainability Policy, approved in August 2007, requires maintaining a fund balance reserve of 10% in the General Fund. It is management’s desire to increase that reserve to approximately 12% to 15% in the event of a major reduction in tourism, sales tax revenue, or state shared revenue and to ensure utility rate stabilization. The current recessionary climate will preclude the City from reaching this goal in the near future.

The City is shifting from a “pay as you go” philosophy for capital infrastructure to increase reserves and to stay in compliance with the State’s expenditure limits by researching the best financing options for the infrastructure that will be required. In fiscal year 2006-07 the City implemented impact fees for acquisition and construction of a second bridge to the Island and in 2007-08 Council approved implementation of impact fees for future infrastructure and equipment needs of police, fire, parks, transportation, and general administration beginning in fiscal year 2008-09. These impact fees will be designated for infrastructure and equipment costs only, not operating costs.

Strategic Plan

The City Council has set the following five year goals for the community:

- **Financially Sound City Government**

Improve bond ratings, maintain an adequate level of financial reserves consistent with adopted financial policies, provide adequate financing methods for capital projects, increase sales tax revenues through recapture of sales tax leakage, deliver cost-effective City services, expand public-private partnerships to increase tax base and provide well-built and maintained city facilities and infrastructure.

- **Strong, Diversified Local Economy**

Attract new businesses (particularly light, clean manufacturing), maintain a qualified and educated workforce, develop new business parks, develop “ready to go” sites for new business, expand retail (mall, “big box”), explore development of four-year college/university and keep Mohave Community College as vital part of the community.

- **Safe and Clean Community**

Maintain timely responses to emergencies, maintain clean community, streets, public spaces and beaches, provide quality emergency services, attract commercial redevelopment and streetscapes, and maintain low crime rate.

- **Effective Utility System**

Secure and protect adequate water supply and storage, develop reuse system, comply with federal requirements, upgrade water treatment and distribution system, continue development of wastewater collection and treatment project, develop utility system prior to growth and development and strive for a well-maintained utility system.

- **Enhanced Quality of Life**

Improve quality of public education (K-12), expand and develop park system and cultural and performing arts facilities and provide recreational facilities and programs responsive to community needs.

- **Blue Lake, Beautiful Mountains**

Ensure public access to lake along shoreline, preservation of mountains and surrounding desert, protect natural shoreline areas, maintain quality lake water, cultivate a well planned community and reflect city plans and policies in new development.

- **First Class Resort Development**

Increase year-round tourism, provide top quality resort hotels, construct convention center able to host regional meetings, develop major resort on Island, and add more amenities for tourists (golf courses, spa, parks).

Major Initiatives

During fiscal year 2007-08 the City moved into program year six of the \$463 million sewer expansion project, which voters approved in November 2001. The project calls for expanding the existing collection system by contracting and installing 390 miles of gravity sewer lines, 400 miles of gravity sewer laterals, 9,700 sewer manholes, 17 miles of sewer force main, 75 pumping stations, decommissioning over 24,000 individual onsite septic systems (90% of the residential population), building a new treatment plant with a capacity of 14 million gallons per day, upgrading two existing treatment plants to treat an additional 1.1 million gallons per day or 4.7 million gallons per day total, and developing reuse/disposal facilities.

The construction project, which began in October 2002, should be completed within 10-15 years and is being financed by voter-approved borrowing authority. The project will be funded from a combination of financing secured through the Water Infrastructure Financing Authority (WIFA) of Arizona and Greater Arizona Development Authority (GADA). The debt service periods will range from twenty to thirty years to keep debt payments level, therefore maintaining stable rates for customers. The City applied for federal assistance for the project and received \$1.4 million toward the project in 2007-08.

During fiscal year 2007-08 the City completed approximately 3,404 new connections to sewer, bringing the total new connections to 12,595 at the end of fiscal year 2007-08. The City has been preparing to finance Program Year 7, beginning in fiscal year 2008-09, and is continuously monitoring the financial plan for the remaining life of the project.

The City was in the research and development stages of other major projects during 2007-08. These projects are the Freedom Bridge and Park and the Havasu 320, a planned development to include a golf course, a four-year university and a performing arts and cultural center.

Relevant Financial Policies

Budgetary Controls. The Council is required to adopt a tentative budget on or before the third Monday in July of each fiscal year. Once the tentative budget has been adopted, the expenditures may not be increased upon final adoption, only decreased. The formal adoption of Lake Havasu City's final budget usually occurs at the last Council meeting in June.

This annual budget serves as the foundation for the City's financial planning and control. The budget appropriates available monies for the City's various funds, functions (e.g., public safety), and departments (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council. During fiscal year 2007-08 there was one supplementary budgetary appropriation of uncommitted funds.

Cash Management. The Finance Department manages the City's investment portfolio. Cash and investment balances are reviewed each morning. Public funds are invested in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. The primary objective of the City's investment activities, in order of priority are: safety of principal, liquidity, and favorable rate of return.

The City is empowered to invest in demand deposits, obligations of the U. S. government, its agencies and instrumentalities, fully insured or collateralized certificates of deposit, AA rated bankers' acceptances, A-1/P-1 rated commercial paper, repurchase agreements, AAA rated money market fund, and the state of Arizona Local Government Investment Pool (LGIP).

Risk Management. The City is exposed to various risks of loss related to public and property liability and workers compensation. Public liability includes public officials' errors and omissions, automobile, and general liability. During fiscal year 2006-07 and for fiscal year 2007-08, the City is fully insured with per occurrence limit at \$1,000,000 and with an annual aggregate limit at \$20,000,000.

During the fiscal year ended June 30, 2008, there was no significant reduction in excess insurance coverage. The Risk Management Section of the City Manager Department administers the City's liability insurance program. Workers compensation claims are reviewed by Risk Management and handled through SCF of Arizona.

Lake Havasu City continues to pursue ways of reducing risk exposures. The City has an aggressive safety program that promotes employee safety on the job and focuses on risk control techniques designed to minimize accident-related losses.

Awards and Acknowledgements

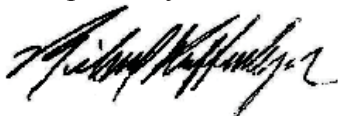
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lake Havasu City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the twenty-first year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


In addition, Lake Havasu City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This was the thirteenth year that the City has received this prestigious award.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and governing Council for their support in maintaining the highest standards of professionalism in the management of Lake Havasu City's finances.

Respectfully submitted,



Richard Kattenberger
City Manager



Gayle Whittle
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lake Havasu City
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the City Council of
Lake Havasu City, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and HURF Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior period adjustments were reported in Note 3.A. for the governmental activities, business-type activities, and the General, HURF, Irrigation and Drainage District, Wastewater and Airport fund financial statements due to errors in the previously issued financial statements.

The management's discussion and analysis on pages 15 - 34 and the Public Safety Personnel Retirement Systems Schedule of Funding Progress on pages 82 - 83 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cronstrom, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

November 14, 2008

Management's Discussion and Analysis

As management of Lake Havasu City, Arizona (City), we offer this narrative overview and analysis of the financial activities of Lake Havasu City, Arizona, for the fiscal year ended June 30, 2008. This discussion and analysis is designed to be used in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 9 of this report as well as the financial statements beginning on page 36 and the accompanying notes to the basic financial statements.

Financial Highlights

- The assets of Lake Havasu City exceeded its liabilities at the close of fiscal year 2007-08 and 2006-07 by \$298.3 million (net assets) and \$277.3 million, respectively. In fiscal year 2007-08, \$117.2 million of these net assets were in governmental funds, and \$181.1 million in business-type activities. Of this amount, \$58.8 million is unrestricted net assets, (\$25.0 million in governmental funds, and \$33.8 million in business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$21.1 million (7.6 percent) in fiscal year 2007-08 and by \$41.8 million (17.7 percent) in fiscal year 2006-07.
- As of the close of the current fiscal year, Lake Havasu City's governmental funds reported combined ending fund balances of \$23.6 million, a decrease of \$7.9 million (25.1 percent) in comparison with the prior fiscal year 2006-07 balance of \$31.5 million which was an increase of \$2.5 million (8.4 percent) over prior year. Of the fiscal year 2007-08 total fund balance, approximately \$23.0 million is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$15.8 million or 37.6 percent of total General Fund expenditures. This represents a decrease of 29.5 percent over last fiscal year's unreserved, undesignated fund balance of \$22.4 million, which represented 61.3 percent of the total General Fund expenditures.
- Lake Havasu City's total debt increased by \$46.7 million (25.0 percent) in fiscal year 2007-08 and \$30.6 million in fiscal year 2006-07. The key factors for the increase in fiscal year 2007-08 was the issuance of over \$58.4 million in Water Infrastructure Finance Authority (WIFA) loans for the wastewater system expansion project and \$2.6 million in revenue bonds to finance the purchase of land for the Freedom Bridge (second bridge to the Island).
- The governmental activities program revenues decreased by \$11.2 million (35.6 percent) in fiscal year 2007-08 and increased \$17.3 million in fiscal year 2006-07. The decrease in 2007-08 was due to declining revenues from charges for services and capital contributions that were realized in 2006-07 with the dedication of land and improvement to the City from Havasu Foothills Estates.

- The business-type activities program revenues increased by \$3.9 million (11.9 percent) in fiscal year 2007-08, primarily due to an increased utility customer base in the wastewater utility in addition to a federal subsidy of \$1.4 million toward the wastewater system expansion project. In fiscal year 2006-07 the business-type activities program revenues increased \$1.7 million (5.5 percent) from the previous year due to the increased customer base in water and wastewater utilities.
- General Fund revenues did not meet budgeted revenue by a shortfall of \$6.4 million for fiscal year 2007-08 due to sales tax revenues short of expectation and a decline in building permit revenue. Budgetary basis expenditures, however, were only 86.4 percent (\$6.5 million in savings) of the final budget. In fiscal year 2006-07 General Fund revenues did not meet expected budgeted revenues by \$1.8 million and budgetary basis expenditures were only 84.6 percent (\$6.4 million in savings) of the final budget in the 2006-07.
- General Fund revenues exceeded expenditures by \$3.5 million, a positive variance of \$47,985 from the final budget in fiscal year 2007-08 and by \$10.5 million in fiscal year 2006-07, a positive variance of \$4.6 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lake Havasu City's basic financial statements. Lake Havasu City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Lake Havasu City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Lake Havasu City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of Lake Havasu City is improving or declining.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Lake Havasu City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Lake Havasu City include general government, public safety, highways and streets, culture and recreation, tourism and promotion and transportation services. The business-type activities of Lake Havasu City include water (Irrigation and Drainage District), Wastewater and trash (Refuse) utilities, the Airport, and Recreation/Aquatic Center. These activities are primarily supported through user charges and fees.

The government-wide financial statements include not only Lake Havasu City itself but also one type of separate legal entity in its report – Improvement Districts. Although legally separate, these “component units” are important because the City is financially accountable for them. A description of these units is available in Note 1 on page 51. Separate financial statements are not prepared for these component units.

The government-wide financial statements can be found on pages 36 - 37 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lake Havasu City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lake Havasu City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Lake Havasu City maintains 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund (HURF), the Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Lake Havasu City adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and HURF fund as part of the basic financial statements to demonstrate compliance with this budget. Budgetary comparisons for all other governmental funds are provided in the combining and individual fund statements and schedules.

The basic governmental fund financial statements can be found on pages 38 - 43 of this report.

Proprietary funds. Proprietary Funds are generally used to account for services for which the City charges customers-either outside customers, internal units or departments of the City. Lake Havasu City maintains two different types of proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Lake Havasu City uses enterprise funds to account for its water (Irrigation and Drainage District), Wastewater, trash (Refuse), Airport, and Recreation/Aquatic center operations. All of the City's enterprise funds are considered major funds of the City.

Internal service funds are an accounting device used to accumulate and allocate costs internally among Lake Havasu City's various functions. Lake Havasu City uses an internal service fund to account for the Employee Benefit Trust (EBT) activities, the City's limited risk self-insurance program for employees and dependents. The City also uses an internal service fund to account for the vehicle and equipment replacement program. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the Proprietary Fund financial statements.

The basic proprietary fund financial statements can be found on pages 44 - 47 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Lake Havasu City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 48 - 49 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 51 - 80 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Lake Havasu City's progress in funding its obligation to provide pension benefits to its public safety employees. Required supplementary information can be found on pages 82 - 83 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 88 - 108 of this report.

Government-wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the Statement of Net Assets and the Statement of Activities serve to provide information on how the City, as a whole, did financially throughout the year.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lake Havasu City, assets exceeded liabilities by \$298.3 million at the close of fiscal year 2007-08 and \$277.3 million at the close of fiscal year 2006-07.

Lake Havasu City, Arizona
Condensed Statement of Net Assets
June 30, 2008 and 2007
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2008	2007	2008	2007	2008	2007	
ASSETS							
Current and other assets	\$ 39.2	\$ 45.5	\$ 81.9	\$ 69.5	\$ 121.1	\$ 115.0	5.3 %
Capital assets							
Non-depreciable	30.5	25.0	13.0	55.7	43.5	80.7	(46.1)
Depreciable (net)	<u>61.3</u>	<u>54.0</u>	<u>328.0</u>	<u>234.5</u>	<u>389.3</u>	<u>288.5</u>	34.9
Total assets	<u>131.0</u>	<u>124.5</u>	<u>422.9</u>	<u>359.7</u>	<u>553.9</u>	<u>484.2</u>	
LIABILITIES							
Other liabilities	\$ 4.5	\$ 3.6	\$ 17.3	\$ 16.1	\$ 21.8	\$ 19.7	10.7
Non-current liabilities							
Due within one year	3.2	6.4	12.6	16.2	15.8	22.6	(30.1)
Due in more than one year	<u>6.1</u>	<u>5.2</u>	<u>211.9</u>	<u>159.4</u>	<u>218.0</u>	<u>164.6</u>	32.4
Total liabilities	<u>13.8</u>	<u>15.2</u>	<u>241.8</u>	<u>191.7</u>	<u>255.6</u>	<u>206.9</u>	
NET ASSETS							
Invested in capital assets, net of related debt	\$ 84.7	\$ 69.6	\$ 147.3	\$ 135.9	\$ 232.0	\$ 205.5	12.9
Restricted	7.5	9.5	0.0	0.0	7.5	9.5	(21.1)
Unrestricted	<u>25.0</u>	<u>30.2</u>	<u>33.8</u>	<u>32.1</u>	<u>58.8</u>	<u>62.3</u>	(5.6)
Total net assets	<u>\$ 117.2</u>	<u>\$ 109.3</u>	<u>\$ 181.1</u>	<u>\$ 168.0</u>	<u>\$ 298.3</u>	<u>\$ 277.3</u>	

By far the largest portion of Lake Havasu City's net assets in fiscal year 2007-08 and fiscal year 2006-07, \$232.0 million (77.8 percent) and \$205.5 (74.1 percent), respectively, reflects its investment in capital assets, (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Lake Havasu City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Lake Havasu City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Lake Havasu City's net assets in the amount of \$7.5 million (2.5 percent) in fiscal year 2007-08 and \$9.5 million (3.4 percent) in fiscal year 2006-07 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$58.8 million (19.7 percent) in fiscal year 2007-08 and \$62.3 million (22.5 percent) in fiscal year 2006-07, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lake Havasu City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Analysis of Changes in Net Assets

The City's total net assets increased by \$21.1 million (7.6 percent) in fiscal year 2007-08 and by \$41.8 (17.7 percent) million during fiscal year 2006-07. These increases are explained in the government and business-type activities discussion and are primarily a result of some increased revenues from utility charges for services, state shared revenues and capital grants and contributions and lower than projected expenditures.

Lake Havasu City, Arizona
Statement of Activities
For the Fiscal Years Ended June 30, 2008 and June 30, 2007
(In thousands of dollars)

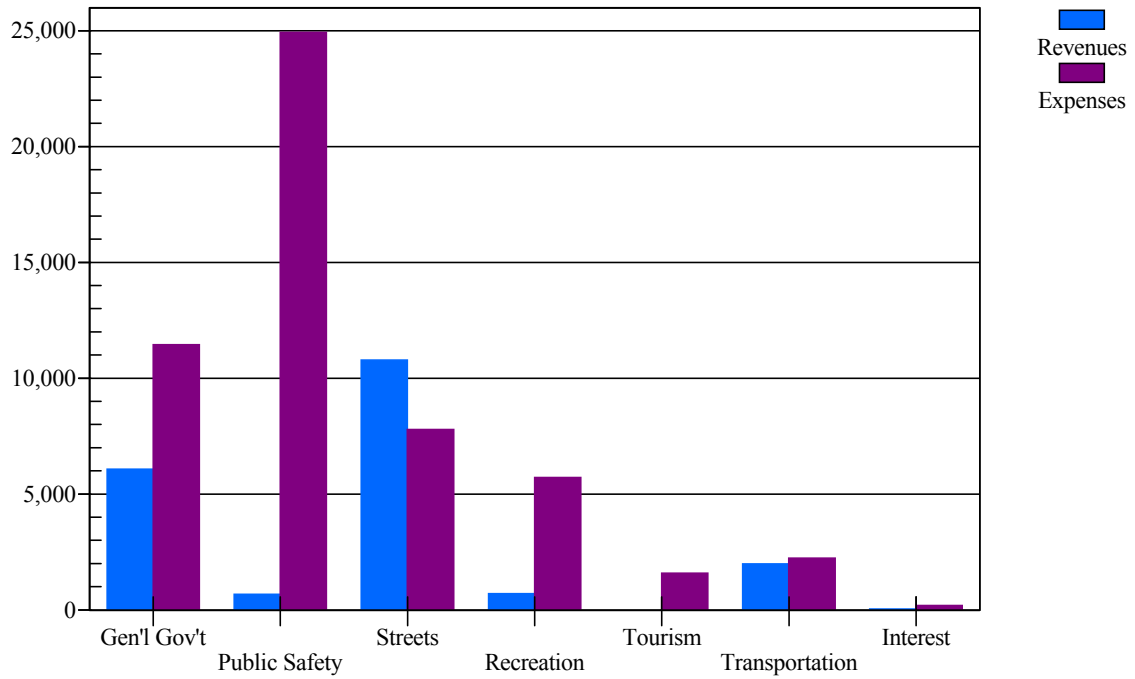
	Governmental Activities		Business-type Activities		Total		Percent Change
	2008	2007	2008	2007	2008	2007	
REVENUES							
Program revenues							
Fees, fines and charges for services	\$ 4,765	\$ 5,670	\$ 27,206	\$ 25,860	\$ 31,971	\$ 31,530	1.4 %
Operating grants and contributions	9,256	8,737	1	85	9,257	8,822	4.9
Capital grants and contributions	6,215	17,023	9,197	6,569	15,412	23,592	(34.7)
General revenues							
Property taxes	4,659	4,443	2,156	2,112	6,815	6,555	4.0
Business taxes	18,825	21,552	-	-	18,825	21,552	(12.7)
Other taxes and state shared revenues	17,267	15,137	-	-	17,267	15,137	14.1
Investment earnings	1,193	1,199	2,286	3,757	3,479	4,956	(29.8)
Other	26	204	-	-	26	204	(87.3)
Total revenues	<u>62,206</u>	<u>73,965</u>	<u>40,846</u>	<u>38,383</u>	<u>103,052</u>	<u>112,348</u>	
EXPENSES							
General government	11,443	8,940	-	-	11,443	8,940	28.0
Public safety	24,929	21,061	-	-	24,929	21,061	18.4
Highways and streets	7,785	8,150	-	-	7,785	8,150	(4.5)
Culture and recreation	5,709	5,006	-	-	5,709	5,006	14.0
Tourism and promotion	1,583	1,578	-	-	1,583	1,578	0.3
Transportation	2,236	1,841	-	-	2,236	1,841	21.5
Interest on long term debt	193	314	-	-	193	314	(38.5)
Refuse	-	-	797	432	797	432	84.5
Recreation/Aquatic Center	-	-	1,422	1,293	1,422	1,293	10.0
Irrigation and Drainage	-	-	12,083	10,546	12,083	10,546	14.6
Wastewater	-	-	12,244	9,824	12,244	9,824	24.6
Airport	-	-	1,569	1,579	1,569	1,579	(0.6)
Total expenses	<u>53,878</u>	<u>46,890</u>	<u>28,115</u>	<u>23,674</u>	<u>81,993</u>	<u>70,564</u>	
Change in assets before transfers	8,328	27,075	12,731	14,709	21,059	41,784	(49.6)
Transfers	561	(2,660)	(561)	2,660	-	-	
Change in net assets	8,889	24,415	12,170	17,369	21,059	41,784	(49.6)
Net assets at beginning of year	<u>108,350</u>	<u>83,935</u>	<u>168,949</u>	<u>151,580</u>	<u>277,299</u>	<u>235,515</u>	17.7
Net assets at end of year	<u>\$ 117,239</u>	<u>\$ 108,350</u>	<u>\$ 181,119</u>	<u>\$ 168,949</u>	<u>\$ 298,358</u>	<u>\$ 277,299</u>	

Governmental activities. Governmental activities increased Lake Havasu City's net assets by \$8.9 million in fiscal year 2007-08, thereby accounting for 42.2 percent of the total growth in the net assets as compared to the fiscal year 2006-07 increase of \$24.4 million (58.4 percent of total growth). Key elements of this increase are as follows:

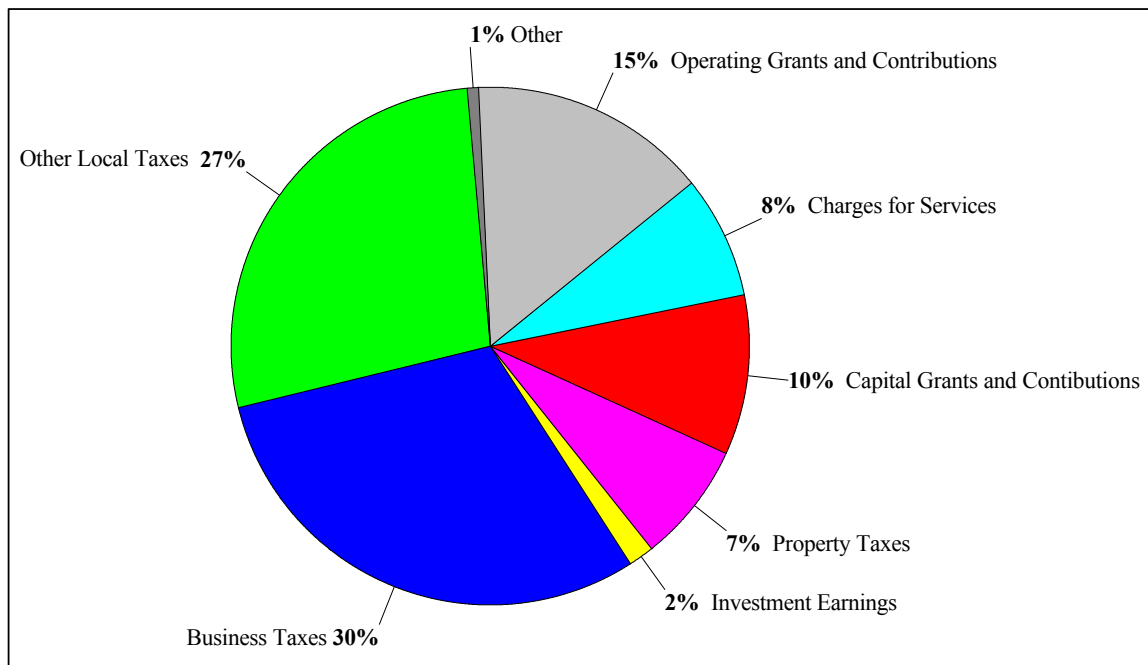
- Capital grants and contributions decreased \$10.8 million (63.5 percent) in fiscal year 2007-08 due to the dedication of the parks and infrastructure in the amount of \$12.4 million from Havasu Foothills Estates development in FY 2006-07. The increase in capital grants and contributions in fiscal year 2006-07 was \$16.4 million (2,543 percent). This dedication of property was an unusual item last fiscal year.

- Business tax (sales tax) revenues decreased \$2.7 million (12.7 percent) in fiscal year 2007-08 due to sluggish construction and retail activity from the economic downturn. This economic decline began in fiscal year 2006-07, which reflected a decrease of \$1.3 million (5.8 percent).
- Other taxes and state shared revenue increased \$2.1 million (14.1 percent) during fiscal year 2007-08 and \$3.0 million (24.6 percent) in fiscal year 2006-07. Most of the increase in both years is the product of allocation adjustment for population increases. Another factor of the increase in fiscal year 2007-08 is a result of new utility franchise taxes which became effective this fiscal year.
- Operating grants and contributions increased only \$519K (5.9 percent) in fiscal year 2007-08. The increase in fiscal year 2006-07 was \$1.8 million representing a 25.9 percent increase. The City was successful in acquiring federal operating grants for an economic strength program, an increase in State Home Funds for housing rehabilitation and an increase in Federal and State transportation funds for the transit program. These increased grants and contributions positively offset a decrease of public safety operating grants realized in fiscal year 2006-07.
- Total governmental revenues decreased overall by \$11.8 million (15.9 percent) in fiscal year 2007-08 while expenses increased at a rate of 14.9 percent or \$7.0 million. This large decline in revenues in fiscal year 2007-08 was due to the unusual capital contribution of dedicated land and infrastructure in fiscal year 2006-07 mentioned above. In fiscal year 2006-07 total revenues increased \$19.6 million (36.0 percent) while expenses increased at a rate of \$5.6 million (13.5 percent).
- The total increase in expenses of \$7.0 million (14.9 percent) is due to a combination of factors. Public safety expenses increased by \$3.9 million (18.3 percent) from a continuing effort to bring staffing levels in public safety closer to desired levels. General government expenses also increased by \$2.5 million (28.0 percent) due to upgrades in technology, an increase in outside contracts for social services and scheduled salary increases across all departments.

Lake Havasu City, Arizona
Program Revenues and Expenses
Governmental Activities
Fiscal Year 2007-08
(In thousands of dollars)



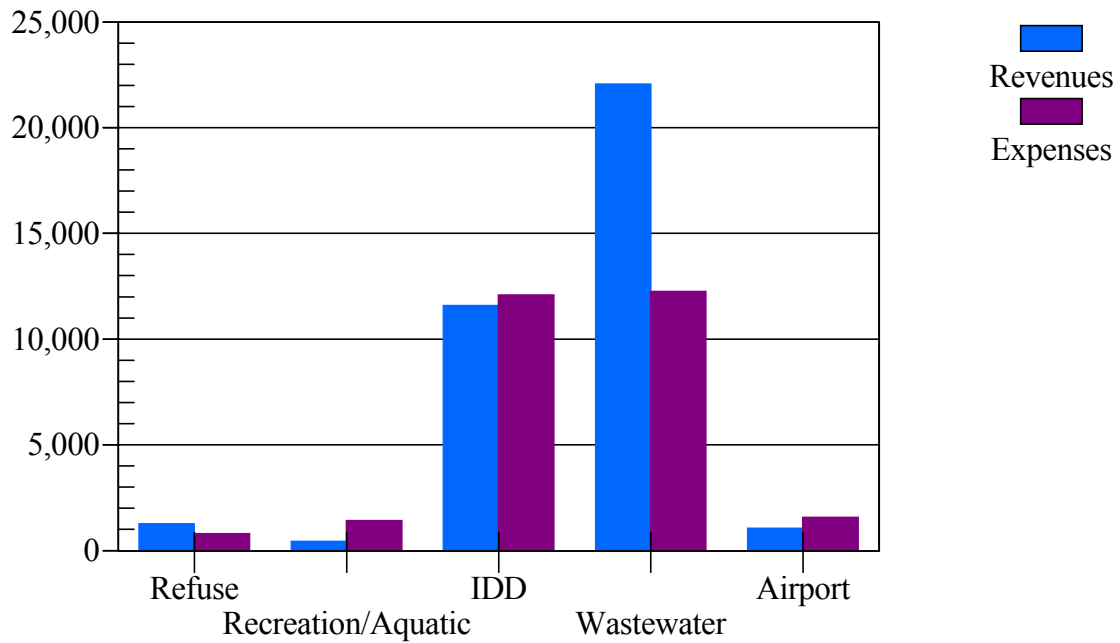
Lake Havasu City, Arizona
Revenues By Source
Governmental Activities
Fiscal Year 2007-08



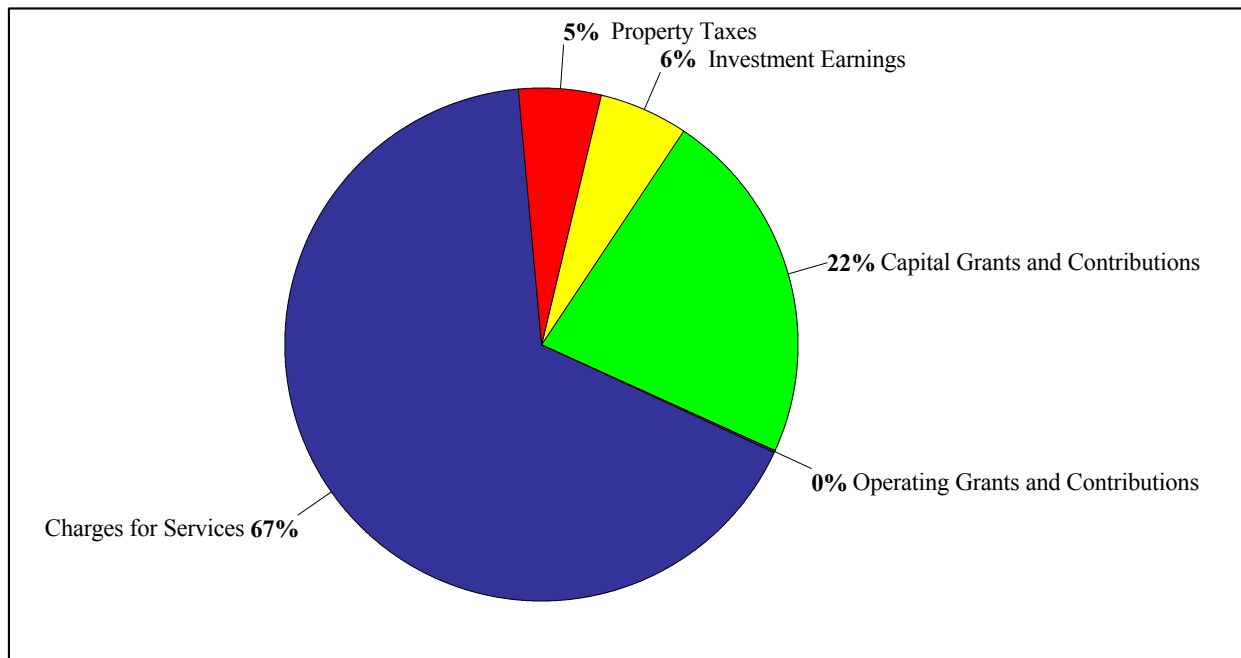
Business-type activities. Business-type activities increased Lake Havasu City's net assets by \$12.2 million, accounting for 57.8 percent of the total growth in the government's net assets in fiscal year 2007-08. In fiscal year 2006-07 the increase was \$16.5 million (39.4 percent). Key elements of the fiscal year 2007-08 increase are as follows:

- Charges for services for business-type activities increased \$1.3 million (5.2 percent) overall during the year due mainly to an expanded customer base in the Wastewater Fund. The Wastewater Fund reflected a \$2.3 million increase (20.4 percent). There was a \$1.1 million decrease (8.7 percent) in the Irrigation and Drainage District (IDD) due to water conservation efforts and a slight decline in customer base. In the prior fiscal year charges for services reflected an increase of \$4.3 million (19.7 percent) due to a 7.2 percent increase in sewer rates in the Wastewater Fund and expanded customer base in both the IDD and Wastewater Funds.
- Investment earnings decreased \$1.5 million (39.2 percent) during fiscal year 2007-08. In fiscal year 2006-07 investment earnings showed an increase of \$318,000 (9.3 percent). The decrease in fiscal year 2007-08 was due to less favorable investment opportunities in addition to a lower level of cash available for investment in the Wastewater Fund. In fiscal year 2006-07 the Wastewater Fund had Greater Arizona Development Authority (GADA) bond proceeds to invest until used on the sewer expansion project. The proceeds were fully spent on the project in fiscal year 2006-07.
- Expenses in the IDD Fund increased \$1.5 million (14.6 percent) in fiscal year 2007-08. This increase was due to the sale of land associated with an asset that was a capital contribution in fiscal year 2006-07 from the General Fund. The proceeds from the sale of this asset were transferred back to the General Fund.
- Expenses in the Wastewater Fund increased \$2.4 million (24.6 percent) in fiscal year 2007-08. This increase can be attributed to the continued expansion of the sewer system provided to an expanding customer base. In fiscal year 2006-07 the increase was only \$207,000 (2.1 percent) over prior year.
- Total revenues and transfers decreased 1.9 percent (\$758K) overall in fiscal year 2007-08 and expenses reflected an increase of 18.8 percent (\$4.4 million). In fiscal year 2006-07 total revenues and transfers increased 5.7 percent (\$2.1 million) while expenses only increased 3.5 percent (\$0.8 million). Although revenues decreased (1.9 percent) when compared to the 18.8 percent increase in expenses in fiscal year 2007-08, revenues still exceeded expenses overall.

Lake Havasu City, Arizona
 Program Revenues and Expenses
 Business-type Activities
 Fiscal Year 2007-08
 (In thousands of dollars)



Lake Havasu City, Arizona
 Revenues By Source
 Business-type Activities
 Fiscal Year 2007-08



Financial Analysis of the City's Funds

As noted earlier, Lake Havasu City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Lake Havasu City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Lake Havasu City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2007-08, Lake Havasu City's governmental funds reported combined ending fund balances of \$23.6 million, a decrease of \$7.9 million (25.1 percent) in comparison with the prior fiscal year 2006-07, which reflected combined ending fund balance of \$31.5 million, an increase of \$1.7 million (5.6 percent). Approximately \$23.0 million (97.7 percent) of fiscal year 2007-08 balance constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. In fiscal year 2006-07, the unreserved, undesignated fund balance was \$30.5 million (96.8 percent). The remainder of fiscal year 2007-08 fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$146,076), 2) to pay for debt service (\$148,318), or 3) for a variety of other restricted purposes (\$256,067).

The General Fund is the chief operating fund of Lake Havasu City. At the end of fiscal year 2007-08, unreserved, undesignated fund balance of the General Fund was \$15.8 million, while total fund balance reached \$16.1 million. In fiscal year 2006-07, the General Fund unreserved, undesignated fund balance was \$20.9 million and the total fund balance was \$21.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance for fiscal year 2007-08 represents 37.6 percent of total General Fund expenditures, while total General Fund balance represents 38.3 percent of that same amount. In fiscal year 2006-07, unreserved, undesignated fund balance represented 57.4 percent of total General Fund expenditures and total fund balance represented 58.0 percent of that same amount.

The fund balance of Lake Havasu City's General Fund decreased \$5.1 million (24.1 percent) during fiscal year 2007-08 and fiscal year 2006-07 showed an increase of \$1.6 million (8.0 percent). Key factors for this decrease in fiscal year 2007-08 are as follows:

- Intergovernmental revenues increased \$1.3 million (8.8 percent) due to a larger allocation of state shared revenue from an increased population, as mentioned earlier. Fiscal year 2006-07 also reflected an increase of \$2.6 million (21.5 percent). Although local revenues reflect a decline due to the economic climate, these state shared revenues will have a delay of about 2 years in reflecting the true economic condition.

- Overall total revenues in fiscal year 2007-08 reflected a decrease of \$1.1 million, a 2.4 percent decrease while expenditures increased \$5.5 million (15.0 percent) as compared to the increase in revenues of \$1.2 million (2.7 percent) and increase in expenditures of \$4.8 million (15.0 percent) in fiscal year 2006-07.
- Public safety costs in both police and fire increased in total by \$3.1 million in fiscal year 2007-08 representing a 14.2 percent increase. The increase in fiscal year 2006-07 was \$2.9 million (15.8 percent). The increases were the result of a continued effort to fill vacancies in public safety, bringing staffing levels closer to their budgeted levels to service the community population plus scheduled annual salary increases.
- Culture and recreation reflected an increase in expenditures of \$588K (10.7 percent) over fiscal year 2006-07, which had an increase of \$852K (18.4 percent) due mainly to increased costs of operating new parks and scheduled annual salary increases.
- General government expenditures also increased \$1.8 million (19.3 percent) in fiscal year 2007-08. In fiscal year 2006-07 expenditures increased \$1.0 million (11.6 percent). The increase in the current fiscal year was due to increased technology costs and social service contracts.
- Sales tax revenue decreased \$2.6 million (13.2 percent) in fiscal year 2007-08. This revenue source was affected by the downturn in the construction and retail industry. This was offset some by an increase in franchise taxes of \$1 million (132.2 percent) due to new cable and electric franchise contracts put in place in fiscal year 2007-08. The decrease in sales tax revenue was impacted by the establishment of franchise taxes that replaced sales tax in the utility contracts with the City.
- Capital lease proceeds received in fiscal year 2006-07 totaled \$2.7 million. Of these proceeds only \$1.1 million was spent on vehicle and equipment replacement. The remaining \$1.6 million of proceeds were spent in fiscal year 2007-08. These expenditures are reflected in the increases in general government, public safety and culture and recreation.
- A decrease of \$1.6 million (15.4 percent) is reflected in transfers out from the General Fund in fiscal year 2007-08 representing lower than anticipated subsidies to other funds, an indicator that costs for services are closer to recovering the program expenses in other funds. In fiscal year 2006-07 the total transfers out were \$10.5 million, a decrease of \$418K (3.8 percent) over the prior fiscal year.

Overall, General Fund revenues decreased while expenditures increased. The excess of revenues over expenditures was \$2.8 million, a decrease of \$6.6 million (70.2 percent) from fiscal year 2006-07. This decrease can be attributed, in part, to the \$1.6 million in lease purchases in fiscal year 2007-08 from proceeds that were booked in fiscal year 2006-07 and carried forward in fund balance.

The HURF fund, which accounts for the City's highways and streets activity had a net change in fund balances with a decrease of \$1.3 million. The decrease in revenue of \$429K (7.8 percent) caused some of this fund balance decrease even though expenditures decreased \$269K (3.9 percent). There were no significant changes to revenue levels in fiscal year 2006-07. Another factor contributing to a lower fund balance was the decrease in operating transfers from other funds in fiscal year 2007-08 by \$1.2 million.

Lake Havasu City's debt service fund has a total fund balance of \$148K which is reserved for the payment of debt service. The net decrease in the Debt Service Fund balance during the current year was \$419K (73.8 percent). In fiscal year 2006-07 the Debt Service Fund balance was \$567K, a decrease of \$179K (24.0 percent) from prior year. The Debt Service Fund receives annual transfers from other funds relating to capital projects for which bonds were issued to cover costs. Transfer amounts are made according to the current fiscal year payment requirements. The decrease is due to a lower interest payment liability on a declining principle balance.

Proprietary funds. Lake Havasu City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets in fiscal year 2007-08 for the IDD (water utility) were \$4.9 million, the Wastewater Fund were \$24.8 million, Airport Fund were \$348K, Refuse Fund were \$3.7 million, and Recreation/Aquatic Fund were \$59K. In fiscal year 2006-07 these unrestricted net assets were \$8.7 million for IDD, \$20.0 million for Wastewater, \$284K for Airport, \$3.0 million for Refuse and \$42K for Recreation/Aquatic. The IDD shows a decrease of \$3.8 million (43.4 percent) due to a transfer to the General Fund of Flood Control funding for drainage improvement projects in addition to a transfer to the General Fund of proceeds from the sale of land associated with a water rights acquisition in fiscal year 2006-07.

The internal service fund that is used to account for Lake Havasu City's limited risk self-insurance program for employee and dependent medical care (EBT) had unrestricted net assets of \$6.0 million, an increase of \$396K over fiscal year 2006-07 with a balance of \$5.6 million. The internal service fund used to account for the vehicle and equipment replacement program had unrestricted net assets of \$4.7 million in fiscal year 2007-08, an increase of \$1.3 million (39.4 percent) over the \$3.4 million in unrestricted net assets in fiscal year 2006-07. This balance has been steadily building and will be used to fund the City's vehicle and equipment replacement program beginning fiscal year 2008-09. Other factors concerning the finances of these proprietary funds have already been addressed in the discussion of Lake Havasu City's business-type activities.

Fiduciary funds. The City maintains a Fiduciary Fund for the assets of the Paid-On-Call (POC) Firefighters Pension Fund. The POC Fund manages the contributions from both the City and the POC employees, as well as tracking the investments held in trust on behalf of the participants in the plan. Additional information can be found in the Notes to the Basic Financial Statements on page 80.

General Fund Budgetary Highlights

During the year there were no changes in appropriations between the original and final budget. The actual expenditures reflected a favorable variance to original and final budget in the amount of \$6.5 million, or 13.6 percent less than the total appropriations. In fiscal year 2006-07 actual expenditures showed favorable variance to final budget in the amount of \$6.4 million (15.4 percent less).

Total revenues reflect a negative variance to budget in the amount of \$6.4 million (12.6 percent) for fiscal year 2007-08 and a negative variance of \$1.8 million (3.8 percent) in fiscal year 2006-07. This was due mainly, as mentioned previously, to the ongoing decline in sales tax revenue from a slow construction and retail industry which continued from fiscal year 2006-07.

The end of year actual fund balance to projected fund balance reflects an additional \$7.7 million due to the favorable variances in expenditures for fiscal year 2007-08. In fiscal year 2006-07 the projected fund balance reflected an additional \$12.4 million over projected.

Capital Asset and Debt Administration

Capital assets. Lake Havasu City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$432.9 million (net of accumulated depreciation). In fiscal year 2006-07, the capital asset investment was \$369.3 million, representing an increase of \$63.6 million (17.2 percent) in fiscal year 2007-08 and \$93.7 million (34.0 percent) in fiscal year 2006-07. This investment in capital assets includes land, buildings and improvements, other improvements, water rights, machinery and equipment, park facilities, roads, and highways. The total increase in fiscal year 2007-08 for governmental activities was \$12.8 million, a 16.2 percent increase. The total increase for business-type activities was \$50.8 million, or 17.5 percent increase. The total increase in fiscal year 2006-07 for governmental activities was \$18.7 million (30.9 percent) and \$75.0 million (34.9 percent) for business-type activities.

Lake Havasu City, Arizona
Capital Assets, Net of Depreciation
June 30, 2008 and 2007
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2008	2007	2008	2007	2008	2007	
Land	\$ 25,678	\$ 20,514	\$ 3,363	\$ 3,323	\$ 29,041	\$ 23,837	21.8 %
Improvements to Land	8,966	5,489	-	-	8,966	5,489	63.3
Buildings, Structures and Improvements	15,800	15,421	29,140	29,884	44,940	45,305	(0.8)
Other Improvements	-	-	296,613	203,368	296,613	203,368	45.9
Equipment, Furniture & Fixtures	7,580	6,075	2,286	1,274	9,866	7,349	34.2
Construction in Progress	4,786	4,497	3,493	45,122	8,279	49,619	(83.3)
Infrastructure	29,008	27,050	-	-	29,008	27,050	7.2
Water Allocation Rights	-	-	6,166	7,265	6,166	7,265	(15.1)
Total	<u>\$ 91,818</u>	<u>\$ 79,046</u>	<u>\$ 341,061</u>	<u>\$ 290,236</u>	<u>\$ 432,879</u>	<u>\$ 369,282</u>	

Major capital asset events during the current fiscal year included the following:

- Construction continued on Lake Havasu City's sewer system expansion project during the fiscal year. The increase to this system totaled \$53.9 million. This total system cost included \$3.0 million for the North Regional WW Treatment Plant, \$2.1 million for the North Regional Treatment Plant Reuse Pump Station and \$3.6 million for the Bombay Pump Station. The remainder is accounted for in expanded sewer connections, the SCADA System, Effluent Disposal and Reuse and other sewer related projects.
- The Governmental capital assets increased by \$12.8 million. The General Fund assets totaled \$6.8 million which included \$1.8 million for land and improvements dedicated to the City from Grand Island Estates and \$1.2 million for the Air Industrial Park. The remainder was used for various parks improvements to meet Americans with Disabilities Act (ADA) standards, fire station improvements and the shop bay expansion.
- Street construction totaled \$6.0 million which included \$3.9 million for drainage improvement projects and \$1.6 million for street widening and paving. The remainder was used for wash improvements, the Drainage Master Plan and various other street projects.
- Various ongoing projects added \$3.3 million to the water system. Water service line improvements and replacement accounted for \$1.4 million. The remainder of the increase can be attributed to the costs for ongoing projects: Water Master Plan, water security and Scada System, securing future water supply with Arizona Water Banking Authority, water recharge and recovery, waterline replacement and water tank rehabilitation. During the fiscal year these increases in the water system were offset with a reduction of \$1.1 million from the sale of land that was acquired in fiscal year 2004-05 in a water rights acquisition.
- Lake Havasu City continued with a vehicle and equipment replacement program that added an additional \$1.4 million in fleet to the governmental funds and \$637K to the business-type funds.

Additional information on Lake Havasu City's capital assets can be found in Note 3.B.4. on pages 66-69 of this report.

Long-term debt. At the end of fiscal year 2007-08, Lake Havasu City had total bonded debt outstanding of \$223.5 million (net of related premium). At the end of fiscal year 2006-07 the City had bonded debt totaling \$175.4 million. Of the fiscal year 2007-08 total bonded debt, \$145,000 are general obligation bonds backed by the full faith and credit of the Irrigation & Drainage District (water utilities), \$2.6 million are revenue bonds for the Freedom Bridge, \$159.7 million are loans from WIFA for wastewater expansion and \$60.6 million (net of related premium) is a loan from GADA also for wastewater expansion. The remaining \$425K are improvement district bonds for the McCulloch Boulevard streetscape improvements at the request of the property owners.

During the fiscal year, the City received \$58.4 million from WIFA for wastewater capital improvements (\$56.1 million) and water capital improvements (\$2.3 million). The City retired \$3.5 million in excise tax revenue bonds and \$95K in special assessment debt. The City also retired \$10K in general obligation bonds of the Irrigation and Drainage District and \$9.3 million (net of related premium) in WIFA and GADA loans in the Wastewater Fund.

State statutes impose certain debt limitations on the City of 6 percent and 20 percent of the outstanding secondary assessed valuation of the City. Lake Havasu City's available debt margin at June 30, 2008, is \$55.8 million in the 6 percent capacity and \$45.9 million in the 20 percent capacity. In fiscal year 2006-07, the 6 percent capacity limit was \$45.0 million and the 20 percent capacity limit was \$8.8 million. Additional information on the debt limitations and capacities may be found on pages 134-135 in the statistical section of this report. See Note 3.D. and 3.E. on pages 70-74 to the financial statements for further information regarding capital leases and long-term bonds and loans.

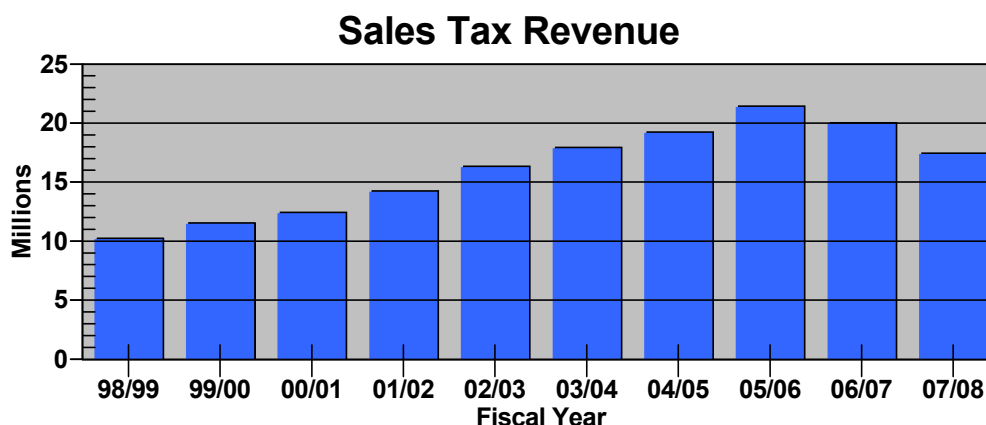
Lake Havasu City, Arizona
Outstanding Obligations
June 30, 2008 and 2007
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2008	2007	2008	2007	2008	2007	
General Obligation Bonds	\$ -	\$ -	\$ 145	\$ 155	\$ 145	\$ 155	(6.5)%
Revenue Bonds	2,615	3,510	-	-	2,615	3,510	(25.5)
Special Assessments Debt with Government Commitment	425	520	-	-	425	520	(18.3)
Greater Arizona Development Authority (GADA) (net of related premium), G/O Loan	-	-	60,642	60,737	60,642	60,737	(0.2)
LHC WIFA 2002 Jr. Lien Revenue, G/O Loan	-	-	7,007	7,400	7,007	7,400	(5.3)
LHC WIFA 2002 Sr. Lien Revenue	-	-	7,007	7,400	7,007	7,400	(5.3)
LHC WIFA 2004 Sr. Lien Revenue	-	-	5,216	5,465	5,216	5,465	(4.6)
LHC WIFA 2004A Design	-	-	0	5,075	0	5,075	(100.0)
LHC WIFA 2004A Jr. Construction, G/O Loan	-	-	30,240	31,040	30,240	31,040	(2.6)
LHC WIFA 2004A Sr. Construction	-	-	15,635	16,371	15,635	16,371	(4.5)
LHC WIFA 2005 Design	-	-	6,220	6,154	6,220	6,154	1.1
LHC WIFA 2006 Jr. Construction, G/O Loan	-	-	38,678	24,449	38,678	24,449	58.2
LHC WIFA 2006 Sr. Construction	-	-	9,461	5,976	9,461	5,976	58.3
LHC WIFA 2007 Water	-	-	3,261	1,103	3,261	1,103	195.6
LHC WIFA 2007 Sr. Construction	-	-	36,932	-	36,932	-	-
Total Bonds Payable	<u>3,040</u>	<u>4,030</u>	<u>220,444</u>	<u>171,325</u>	<u>223,484</u>	<u>175,355</u>	
Capital Leases	4,485	6,033	1,669	1,996	6,154	8,029	(23.4)
Compensated Absences	1,839	1,558	258	198	2,097	1,756	19.4
Landfill Closure and Postclosure Costs	-	-	2,150	2,042	2,150	2,042	5.3
Total Long-Term Liabilities	<u>\$ 9,364</u>	<u>\$ 11,621</u>	<u>\$ 224,521</u>	<u>\$ 175,561</u>	<u>\$ 233,885</u>	<u>\$ 187,182</u>	

Economic Factors and Next Year's Budgets and Rates

Sales Tax

Lake Havasu City's most reliable indicator of economic condition is sales tax. The City's collection of sales tax revenue comprised 38.7 percent (\$17.3 million) of the total General Fund revenues in fiscal year 2007-08. This represents a decrease of \$2.6 million (13.2 percent) from fiscal year 2006-07, which reflected a decrease of \$1.4 million, a 6.5 percent reduction over the prior fiscal year. The City's sales tax rate is currently 2 percent. An additional 1 percent for restaurant/bar activity and 3 percent for transient occupancy is collected for the Tourism/Economic Development Fund. The City anticipates the sales tax revenue to continue to decline during the current economic downturn, however, increased commercial development is expected to generate sales tax to offset the decline in residential construction. The City expects to maintain a sustainable long-term economic outlook which can be attributed to new tenants continually opening at the new regional mall, continued tourism and major commercial growth in the City.



The unemployment rate for Lake Havasu City is currently 3.9 percent, which has increased .8 percent over last year. This still compares favorably to the state's average unemployment rate of 5.0 percent and the national average rate of 5.5 percent at June 30, 2008.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, Lake Havasu City has appropriated \$4.5 million of the \$15.8 million unreserved, undesignated fund balance in the General Fund for spending in the 2008-09 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2008-09 fiscal year. The City intends to continue growing the reserves of the General Fund through implementation of budget restraints and increased fees for services and programs in fiscal year 2008-09. It is also intended to obviate the need for the transfer of additional resources to the General Fund.

Recognizing that the City's General Fund balance needs to maintain a healthy level, the City Council is evaluating other financing alternatives for capital improvements. This change in policy should help the City to maintain cash balances over the next several years, both for financial stability and in anticipation of capital and ongoing operational needs of a growing city and a future national recession. In addition, the City has imposed impact fees to cover the cost of major infrastructure associated with new growth beginning in fiscal year 2008-09.

The City decreased the property tax levy rates to \$0.6704 per \$100 assessed value due to rising assessed value of property and the statutory limit on the total levy in fiscal year 2007-08. In fiscal year 2006-07 the property tax levy rate was \$0.7310 per \$100 assessed value. This represented a decrease of 8.3 percent in fiscal year 2007-08 and 8.1 percent in 2006-07.

Building permit fees are expected to continue to decline over the prior year level based on the distressed residential housing condition and mortgage crisis. This, in turn, will impact the sales tax collections. The City is optimistic that the continued commercial growth and increased valuation of the permitted improvements, in addition to the Regional Mall that is experiencing an increasing tenant base to generate additional retail sales, will carry the City through this economic slump.

At the end of fiscal year 2007-08 the City was in the process of a rate study for the wastewater system. The study was completed in July 2008. An increase in sewer rates will be proposed the last quarter of fiscal year 2008-09. During fiscal year 2007-08 sewer rates realized increases of 7 percent. At the end of fiscal year 2006-07, the City adopted a Rate Stabilization Fund. This required \$5.0 million to be reserved to maintain a fund balance in the Wastewater Fund that will factor into calculations of future rate increases, with the intent to stabilize rates and prevent unfavorable fluctuations to utility customers. Sewer rate increases at the beginning of July 2006 and July 2007 were based on a sewer rate study adopted by Council in 2005. Sewer revenues are expected to increase due to the rate increase and expanded customer base.

Trash rates will realize increases in the 2008-09 budget year. Trash rates are increased annually in January by a consumer price index. The water rates have not been increased since July 2004. The City has contracted for a water rate study to review the rates needed to cover the costs of the water system operations and maintenance. The study will be complete in fiscal year 2008-09.

All of these factors were considered in preparing Lake Havasu City's budget for the 2008-09 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Lake Havasu City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Department
Lake Havasu City
2330 McCulloch Blvd. N.
Lake Havasu City, AZ 86403
Telephone (928) 855-2116
Fax (928) 855-0551
Website: www.lhcaz.gov

Basic Financial Statements

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and equivalents	\$ 31,603,734	\$ 43,176,798	\$ 74,780,532
Receivables, net			
Accounts receivable	361,614	9,201,801	9,563,415
Taxes receivable	221,298	163,281	384,579
Intergovernmental receivable	6,164,266	20,151,108	26,315,374
Special assessments receivable	314,457	-	314,457
Interest receivable	110,567	137,934	248,501
Inventories	256,067	3,198	259,265
Prepaid items	165,866	124,346	290,212
Deferred charges	-	3,165,571	3,165,571
Restricted assets	-	5,766,370	5,766,370
Capital assets			
Non-depreciable	30,463,510	13,021,711	43,485,221
Depreciable (net)	<u>61,354,121</u>	<u>328,039,209</u>	<u>389,393,330</u>
Total assets	<u>131,015,500</u>	<u>422,951,327</u>	<u>553,966,827</u>
Liabilities			
Accounts payable	1,428,163	5,647,800	7,075,963
Accrued wages and benefits	1,760,780	310,958	2,071,738
Interest payable	44,162	3,198,589	3,242,751
Intergovernmental payable	370,605	98,696	469,301
Retainage payable	77,511	976,704	1,054,215
Unearned revenue	71,623	2,563,834	2,635,457
Performance bonds payable	59,827	-	59,827
Developer agreements	94,553	-	94,553
Claims payable	505,000	-	505,000
Matured debt principal payable	-	4,157,106	4,157,106
Liabilities payable from restricted assets	-	356,838	356,838
Noncurrent liabilities			
Due within one year	3,245,398	12,613,568	15,858,966
Due in more than one year	<u>6,118,580</u>	<u>211,907,865</u>	<u>218,026,445</u>
Total liabilities	<u>13,776,202</u>	<u>241,831,958</u>	<u>255,608,160</u>
Net assets			
Invested in capital assets, net of related debt	84,717,176	147,265,013	231,982,189
Restricted for			
Highways and streets	706,819	-	706,819
Debt service	148,318	-	148,318
Capital outlay	5,904,066	-	5,904,066
Other	743,301	-	743,301
Unrestricted	<u>25,019,618</u>	<u>33,854,356</u>	<u>58,873,974</u>
Total net assets	<u>\$ 117,239,298</u>	<u>\$ 181,119,369</u>	<u>\$ 298,358,667</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Totals
Governmental activities						
General government	\$ 11,443,459	\$ 3,803,583	\$ 1,579,564	\$ 686,933	\$ (5,373,379)	\$ (5,373,379)
Public safety	24,929,038	161,717	505,721	-	(24,261,600)	(24,261,600)
Highways and streets	7,785,062	7,880	5,272,162	5,508,416	3,003,396	3,003,396
Culture and recreation	5,708,732	670,950	6,910	20,006	(5,010,866)	(5,010,866)
Tourism and promotion	1,582,985	-	-	-	(1,582,985)	(1,582,985)
Transportation services	2,236,456	91,617	1,891,549	-	(253,290)	(253,290)
Interest on long-term debt	192,875	29,091	-	-	(163,784)	(163,784)
Total governmental activities	<u>53,878,607</u>	<u>4,764,838</u>	<u>9,255,906</u>	<u>6,215,355</u>	<u>(33,642,508)</u>	<u>(33,642,508)</u>
Business-type activities						
Refuse	796,755	1,269,783	-	-	\$ 473,028	473,028
Recreation/Aquatic Center	1,421,768	433,782	-	-	(987,986)	(987,986)
Irrigation and Drainage	12,082,578	11,590,238	1,000	-	(491,340)	(491,340)
Wastewater	12,244,284	13,331,015	-	8,724,941	9,811,672	9,811,672
Airport	1,569,121	581,215	-	472,041	(515,865)	(515,865)
Total business-type activities	<u>28,114,506</u>	<u>27,206,033</u>	<u>1,000</u>	<u>9,196,982</u>	<u>8,289,509</u>	<u>8,289,509</u>
Totals	<u>\$ 81,993,113</u>	<u>\$ 31,970,871</u>	<u>\$ 9,256,906</u>	<u>\$ 15,412,337</u>	<u>(33,642,508)</u>	<u>(25,352,999)</u>
General revenues						
Taxes						
Sales taxes					18,825,309	18,825,309
Property taxes					4,659,276	6,815,560
Franchise taxes					1,733,704	1,733,704
Impact fees					10,674	10,674
Unrestricted State revenue sharing					7,519,909	7,519,909
Unrestricted State sales tax revenue sharing					4,910,888	4,910,888
Unrestricted Auto lieu tax revenue sharing					3,102,207	3,102,207
Investment earnings					1,193,238	3,479,097
Other					14,912	14,912
Transfers					<u>561,289</u>	<u>(561,289)</u>
Total general revenues and transfers					<u>42,531,406</u>	<u>46,412,260</u>
Change in net assets					8,888,898	21,059,261
Net assets, beginning of year (restated)					<u>108,350,400</u>	<u>277,299,406</u>
Net assets, end of year					<u>\$ 117,239,298</u>	<u>\$ 298,358,667</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
Assets						
Cash and equivalents	\$ 13,308,915	\$ 434,913	\$ 179,184	\$ 6,032,038	\$ 589,232	\$ 20,544,282
Receivables, net						
Accounts receivable	210,293	2,108	-	-	11,552	223,953
Taxes receivable	210,185	-	-	-	11,113	221,298
Intergovernmental receivable	3,588,306	425,492	-	907,099	1,243,369	6,164,266
Special assessments receivable	-	-	314,457	-	-	314,457
Interest receivable	85,092	259	-	-	-	85,351
Due from other funds	944,103	-	-	-	-	944,103
Inventories	206,067	50,000	-	-	-	256,067
Prepaid items	83,649	59,258	-	-	3,169	146,076
Total assets	<u>\$ 18,636,610</u>	<u>\$ 972,030</u>	<u>\$ 493,641</u>	<u>\$ 6,939,137</u>	<u>\$ 1,858,435</u>	<u>\$ 28,899,853</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 367,466	\$ 68,281	\$ -	\$ 938,305	\$ 49,860	\$ 1,423,912
Accrued wages and benefits	1,573,790	118,197	-	-	68,793	1,760,780
Interest payable	9,273	3,435	31,448	-	6	44,162
Intergovernmental payable	369,335	-	-	-	1,270	370,605
Due to other funds	-	-	-	-	944,103	944,103
Deferred revenue	196,720	-	313,875	-	51,102	561,697
Retainage payable	-	75,298	-	2,213	-	77,511
Performance bonds payable	59,827	-	-	-	-	59,827
Developer agreements	-	-	-	94,553	-	94,553
Total liabilities	<u>2,576,411</u>	<u>265,211</u>	<u>345,323</u>	<u>1,035,071</u>	<u>1,115,134</u>	<u>5,337,150</u>
Fund balances						
Reserved for inventories	206,067	50,000	-	-	-	256,067
Reserved for prepaid items	83,649	59,258	-	-	3,169	146,076
Reserved for debt service	-	-	148,318	-	-	148,318
Unreserved	15,770,483	597,561	-	5,904,066	-	22,272,110
Unreserved, reported in nonmajor						
Special revenue funds	-	-	-	-	740,132	740,132
Total fund balances	<u>16,060,199</u>	<u>706,819</u>	<u>148,318</u>	<u>5,904,066</u>	<u>743,301</u>	<u>23,562,703</u>
Total liabilities and fund balances	<u>\$ 18,636,610</u>	<u>\$ 972,030</u>	<u>\$ 493,641</u>	<u>\$ 6,939,137</u>	<u>\$ 1,858,435</u>	<u>\$ 28,899,853</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Fund balances - total governmental funds	\$ 23,562,703
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Amounts reported for governmental activities in the statement of net assets are different because:

Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds.	176,199
Special assessment revenue not available for current resources	313,875

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	160,694,299
Less accumulated depreciation	<u>(69,286,198)</u>
Capital assets used in governmental activities	<u>91,408,101</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Revenue bonds	(2,615,000)
Special assessment debt with government commitment	(425,000)
Capital leases	(4,485,455)
Compensated absences	(1,838,523)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>11,142,398</u>
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Net assets of governmental activities	\$ <u>117,239,298</u>
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The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
Revenues						
Taxes						
Sales taxes	\$ 17,305,120	\$ -	\$ -	\$ -	\$ 1,520,189	\$ 18,825,309
Property taxes	4,333,087	-	-	-	177,001	4,510,088
Franchise taxes	1,733,704	-	-	-	-	1,733,704
Intergovernmental	16,118,395	5,021,477	-	3,901,671	3,642,128	28,683,671
Fines and forfeitures	1,394,730	-	-	-	96,541	1,491,271
Licenses and permits	1,961,920	-	-	-	-	1,961,920
Charges for services	714,249	-	-	-	122,324	836,573
Rents and royalties	27,732	-	-	-	-	27,732
Contributions and donations	-	-	-	-	6,910	6,910
Impact fees	-	-	-	10,674	-	10,674
Special assessments	-	-	124,318	-	-	124,318
Investment earnings	781,178	15,245	4,515	-	644	801,582
Other	402,677	5,273	-	2,607	7,694	418,251
Total Revenues	<u>44,772,792</u>	<u>5,041,995</u>	<u>128,833</u>	<u>3,914,952</u>	<u>5,573,431</u>	<u>59,432,003</u>
Expenditures						
Current						
General government	11,195,557	-	-	-	1,557,010	12,752,567
Public safety	24,709,319	-	-	-	257,402	24,966,721
Highways and streets	-	6,610,536	-	-	57,872	6,668,408
Culture and recreation	6,068,039	-	-	-	7,485	6,075,524
Tourism and promotion	-	-	-	-	1,582,324	1,582,324
Transportation services	-	-	-	-	2,951,865	2,951,865
Debt Service						
Principal retirement	-	-	3,605,000	-	-	3,605,000
Interest on long-term debt	-	-	192,875	-	-	192,875
Capital outlay	-	-	-	11,727,752	-	11,727,752
Total Expenditures	<u>41,972,915</u>	<u>6,610,536</u>	<u>3,797,875</u>	<u>11,727,752</u>	<u>6,413,958</u>	<u>70,523,036</u>
Excess (deficiency) of revenues over expenditures	<u>2,799,877</u>	<u>(1,568,541)</u>	<u>(3,669,042)</u>	<u>(7,812,800)</u>	<u>(840,527)</u>	<u>(11,091,033)</u>
Other financing sources (uses)						
Transfers in	989,194	315,803	3,250,492	4,439,295	983,000	9,977,784
Transfers out	(8,905,692)	-	-	(315,803)	(195,000)	(9,416,495)
Issuance of debt	-	-	-	2,615,000	-	2,615,000
Total other financing sources (uses)	<u>(7,916,498)</u>	<u>315,803</u>	<u>3,250,492</u>	<u>6,738,492</u>	<u>788,000</u>	<u>3,176,289</u>
Net change in fund balances	(5,116,621)	(1,252,738)	(418,550)	(1,074,308)	(52,527)	(7,914,744)
Fund balances, beginning of year (restated)	<u>21,176,820</u>	<u>1,959,557</u>	<u>566,868</u>	<u>6,978,374</u>	<u>795,828</u>	<u>31,477,447</u>
Fund balances, end of year	<u>\$ 16,060,199</u>	<u>\$ 706,819</u>	<u>\$ 148,318</u>	<u>\$ 5,904,066</u>	<u>\$ 743,301</u>	<u>\$ 23,562,703</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ (7,914,744)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	17,357,578
Less current year depreciation	<u>(4,993,905)</u>
Excess capital expenditures over depreciation	<u>12,363,673</u>

The statement of activities reports gains/ losses arising from the disposal of existing capital assets. Conversely, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (1,816)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Property taxes	149,188
Special assessments	<u>(95,227)</u>

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.

Principal payments on long-term debt	5,152,143
Proceeds from debt	<u>(2,615,000)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net increase in compensated absences	(280,611)
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

The net changes in net assets of the internal service fund is reported with governmental activities.	<u>2,131,292</u>
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Change in net assets of governmental activities	<u>\$ 8,888,898</u>
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The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 28,724,336	\$ 23,371,911	\$ (5,352,425)
Intergovernmental	16,844,742	16,118,395	(726,347)
Fines and forfeitures	1,249,000	1,394,730	145,730
Licenses and permits	3,029,327	1,961,920	(1,067,407)
Charges for services	708,539	714,249	5,710
Rents and royalties	18,615	27,732	9,117
Contributions and donations	10,000	-	(10,000)
Investment earnings	500,000	781,178	281,178
Other	130,000	402,677	272,677
Total Revenues	<u>51,214,559</u>	<u>44,772,792</u>	<u>(6,441,767)</u>
Expenditures			
Current			
General government			
City council	61,474	43,715	17,759
City clerk	182,513	177,531	4,982
Magistrate court	1,443,073	1,287,242	155,831
City manager/Human resources	818,859	403,832	415,027
Finance	918,129	892,644	25,485
Community services	93,290	81,174	12,116
Finance - information systems	1,991,810	905,438	1,086,372
City attorney	556,993	357,783	199,210
Non-departmental	3,339,294	1,405,821	1,933,473
Government - outside contracts	1,769,023	1,378,049	390,974
Special events	105,000	50,549	54,451
Public works administration and engineering	1,118,680	1,084,652	34,028
Vehicle maintenance	658,623	625,571	33,052
Community development	2,796,351	2,351,175	445,176
Total general government	<u>15,853,112</u>	<u>11,045,176</u>	<u>4,807,936</u>
Public safety			
Police	13,352,240	13,231,301	120,939
Fire	11,834,988	11,346,050	488,938
Total public safety	<u>25,187,228</u>	<u>24,577,351</u>	<u>609,877</u>
Culture and recreation			
Parks and recreation administration	519,506	418,655	100,851
Recreation department	2,552,105	1,958,563	593,542
Parks and maintenance	3,658,890	3,281,344	377,546
Total culture and recreation	<u>6,730,501</u>	<u>5,658,562</u>	<u>1,071,939</u>
Total Expenditures	<u>47,770,841</u>	<u>41,281,089</u>	<u>6,489,752</u>
Excess (deficiency) of revenues over expenditures	<u>3,443,718</u>	<u>3,491,703</u>	<u>47,985</u>
Other financing sources (uses)			
Transfers in	-	989,194	989,194
Transfers out	(18,416,998)	(8,905,692)	9,511,306
Total other financing sources (uses)	<u>(18,416,998)</u>	<u>(7,916,498)</u>	<u>10,500,500</u>
Net change in fund balances	(14,973,280)	(4,424,795)	10,548,485
Fund balances, beginning of year, as adjusted	<u>21,999,355</u>	<u>19,159,368</u>	<u>(2,839,987)</u>
Fund balances, end of year	<u>\$ 7,026,075</u>	<u>\$ 14,734,573</u>	<u>\$ 7,708,498</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 5,776,246	\$ 5,021,477	\$ (754,769)
Investment earnings	20,000	15,245	(4,755)
Other	<u>12,000</u>	<u>5,273</u>	<u>(6,727)</u>
Total Revenues	<u>5,808,246</u>	<u>5,041,995</u>	<u>(766,251)</u>
Expenditures			
Current			
Highways and streets	<u>7,223,676</u>	<u>5,993,684</u>	<u>1,229,992</u>
Total Expenditures	<u>7,223,676</u>	<u>5,993,684</u>	<u>1,229,992</u>
Excess (deficiency) of revenues over expenditures	<u>(1,415,430)</u>	<u>(951,689)</u>	<u>463,741</u>
Other financing sources (uses)			
Transfers in	<u>315,803</u>	<u>315,803</u>	<u>-</u>
Total other financing sources (uses)	<u>315,803</u>	<u>315,803</u>	<u>-</u>
Net change in fund balances	(1,099,627)	(635,886)	463,741
Fund balances, beginning of year, as adjusted	<u>1,324,649</u>	<u>1,342,705</u>	<u>18,056</u>
Fund balances, end of year	<u>\$ 225,022</u>	<u>\$ 706,819</u>	<u>\$ 481,797</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Refuse	Recreation / Aquatic Center	Irrigation and Drainage	Wastewater	Airport	Totals	Governmental Activities - Internal Service Funds
Assets							
Current assets							
Cash and equivalents	\$ 5,809,249	\$ 116,432	\$ 4,534,306	\$ 32,474,443	\$ 242,368	\$ 43,176,798	\$ 11,059,452
Receivables, net							
Accounts receivable	385,248	16,802	1,031,903	7,721,906	45,942	9,201,801	137,661
Taxes receivable	-	-	125,274	38,007	-	163,281	-
Intergovernmental receivable	-	-	1,650,001	18,314,598	186,509	20,151,108	-
Interest receivable	36,587	-	7,780	93,567	-	137,934	25,216
Inventories	-	3,198	-	-	-	3,198	-
Prepaid items	-	6,680	78,354	33,184	6,128	124,346	19,790
Deferred charges	-	-	29,283	3,136,288	-	3,165,571	-
Restricted assets	-	-	335,045	5,410,132	21,193	5,766,370	-
Total current assets	<u>6,231,084</u>	<u>143,112</u>	<u>7,791,946</u>	<u>67,222,125</u>	<u>502,140</u>	<u>81,890,407</u>	<u>11,242,119</u>
Noncurrent assets							
Capital assets							
Non-depreciable	-	-	9,034,718	2,693,154	1,293,839	13,021,711	-
Depreciable (net)	<u>355,332</u>	<u>4,925,791</u>	<u>54,736,763</u>	<u>250,034,621</u>	<u>17,986,702</u>	<u>328,039,209</u>	<u>409,530</u>
Total noncurrent assets	<u>355,332</u>	<u>4,925,791</u>	<u>63,771,481</u>	<u>252,727,775</u>	<u>19,280,541</u>	<u>341,060,920</u>	<u>409,530</u>
Total assets	<u>6,586,416</u>	<u>5,068,903</u>	<u>71,563,427</u>	<u>319,949,900</u>	<u>19,782,681</u>	<u>422,951,327</u>	<u>11,651,649</u>
Liabilities							
Current liabilities							
Accounts payable	393,088	18,027	745,675	4,448,198	42,812	5,647,800	4,251
Accrued wages and benefits	-	37,415	163,335	91,098	19,110	310,958	-
Intergovernmental payable	-	-	91,127	7,569	-	98,696	-
Interest payable	800	-	38,802	3,158,063	924	3,198,589	-
Retainage payable	-	-	91,776	860,141	24,787	976,704	-
Deferred revenue	-	8,012	1,253,063	1,272,194	30,565	2,563,834	-
Matured debt principal payable	-	-	211,475	3,945,631	-	4,157,106	-
Liabilities payable from restricted assets	-	-	335,045	600	21,193	356,838	-
Claims payable	-	-	-	-	-	-	505,000
Compensated absences	-	20,913	146,871	76,081	14,552	258,417	-
Capital leases payable	77,773	-	197,218	113,203	59,044	447,238	-
Bonds, notes and loans payable	-	-	223,535	11,684,378	-	11,907,913	-
Total current liabilities	<u>471,661</u>	<u>84,367</u>	<u>3,497,922</u>	<u>25,657,156</u>	<u>212,987</u>	<u>29,924,093</u>	<u>509,251</u>
Noncurrent liabilities							
Landfill closure and postclosure care costs	2,149,772	-	-	-	-	2,149,772	-
Capital leases payable	183,986	-	493,206	307,797	237,405	1,222,394	-
Bonds, notes and loans payable	-	-	3,182,237	205,353,462	-	208,535,699	-
Total noncurrent liabilities	<u>2,333,758</u>	<u>-</u>	<u>3,675,443</u>	<u>205,661,259</u>	<u>237,405</u>	<u>211,907,865</u>	<u>-</u>
Total liabilities	<u>2,805,419</u>	<u>84,367</u>	<u>7,173,365</u>	<u>231,318,415</u>	<u>450,392</u>	<u>241,831,958</u>	<u>509,251</u>
Net assets							
Invested in capital assets, net of related debt	93,573	4,925,791	59,463,810	63,797,747	18,984,092	147,265,013	409,530
Unrestricted	<u>3,687,424</u>	<u>58,745</u>	<u>4,926,252</u>	<u>24,833,738</u>	<u>348,197</u>	<u>33,854,356</u>	<u>10,732,868</u>
Total net assets	<u>\$ 3,780,997</u>	<u>\$ 4,984,536</u>	<u>\$ 64,390,062</u>	<u>\$ 88,631,485</u>	<u>\$ 19,332,289</u>	<u>\$ 181,119,369</u>	<u>\$ 11,142,398</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Refuse	Recreation / Aquatic Center	Irrigation and Drainage	Wastewater	Airport	Totals	Governmental Activities - Internal Service Funds
Operating revenues							
Charges for services	\$ 1,267,783	\$ 433,782	\$ 11,549,348	\$ 13,211,613	\$ 581,215	\$ 27,043,741	\$ 1,618,840
Premiums	-	-	-	-	-	-	5,941,508
Total operating revenues	<u>1,267,783</u>	<u>433,782</u>	<u>11,549,348</u>	<u>13,211,613</u>	<u>581,215</u>	<u>27,043,741</u>	<u>7,560,348</u>
Operating expenses							
Costs of sales and services	713,063	1,243,135	10,025,454	6,955,929	862,474	19,800,055	-
Premiums	-	-	-	-	-	-	277,576
Administration	-	-	-	-	-	-	491,664
Benefits	-	-	-	-	-	-	5,033,154
Depreciation	<u>72,183</u>	<u>178,633</u>	<u>1,963,409</u>	<u>5,014,888</u>	<u>693,843</u>	<u>7,922,956</u>	<u>33,230</u>
Total operating expenses	<u>785,246</u>	<u>1,421,768</u>	<u>11,988,863</u>	<u>11,970,817</u>	<u>1,556,317</u>	<u>27,723,011</u>	<u>5,835,624</u>
Operating income (loss)	<u>482,537</u>	<u>(987,986)</u>	<u>(439,515)</u>	<u>1,240,796</u>	<u>(975,102)</u>	<u>(679,270)</u>	<u>1,724,724</u>
Nonoperating revenues (expenses)							
Taxes	-	-	2,156,284	-	-	2,156,284	-
Intergovernmental	-	-	1,000	-	-	1,000	-
Interest	226,882	112	292,402	1,766,463	-	2,285,859	391,656
Interest expense	(11,509)	-	(92,174)	(105,316)	(12,804)	(221,803)	-
Issuance costs	-	-	(1,541)	(168,151)	-	(169,692)	-
Miscellaneous revenues	<u>2,000</u>	<u>-</u>	<u>40,890</u>	<u>119,402</u>	<u>-</u>	<u>162,292</u>	<u>14,912</u>
Total nonoperating revenues (expenses)	<u>217,373</u>	<u>112</u>	<u>2,396,861</u>	<u>1,612,398</u>	<u>(12,804)</u>	<u>4,213,940</u>	<u>406,568</u>
Income (loss) before contributions and transfers	699,910	(987,874)	1,957,346	2,853,194	(987,906)	3,534,670	2,131,292
Capital contributions	-	-	-	8,724,941	472,041	9,196,982	-
Transfers in	-	835,000	-	5,000,000	555,968	6,390,968	-
Transfers out	<u>-</u>	<u>-</u>	<u>(6,891,534)</u>	<u>-</u>	<u>(60,723)</u>	<u>(6,952,257)</u>	<u>-</u>
Change in net assets	699,910	(152,874)	(4,934,188)	16,578,135	(20,620)	12,170,363	2,131,292
Total net assets, beginning of year (restated)	<u>3,081,087</u>	<u>5,137,410</u>	<u>69,324,250</u>	<u>72,053,350</u>	<u>19,352,909</u>	<u>168,949,006</u>	<u>9,011,106</u>
Total net assets, end of year	<u>\$ 3,780,997</u>	<u>\$ 4,984,536</u>	<u>\$ 64,390,062</u>	<u>\$ 88,631,485</u>	<u>\$ 19,332,289</u>	<u>\$181,119,369</u>	<u>\$ 11,142,398</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Refuse	Recreation / Aquatic Center	Irrigation and Drainage	Wastewater	Airport	Totals	Governmental Activities - Internal Service Funds
Cash flows from operating activities							
Receipts from customers	\$ 1,240,493	\$ 428,385	\$ 11,977,471	\$ 13,326,356	\$ 566,227	\$ 27,538,932	\$ 7,438,421
Payments to suppliers	(571,647)	(499,039)	(6,761,704)	(6,201,801)	(414,755)	(14,448,946)	(5,727,396)
Payments to employees	-	(738,770)	(3,213,001)	(1,970,100)	(429,006)	(6,350,877)	-
Other receipts	2,000	-	40,890	119,402	-	162,292	14,912
Customer deposits (payments)	-	-	(1,210)	-	5,240	4,030	-
Net cash flows from (used by) operating activities	<u>670,846</u>	<u>(809,424)</u>	<u>2,042,446</u>	<u>5,273,857</u>	<u>(272,294)</u>	<u>6,905,431</u>	<u>1,725,937</u>
Cash flows from noncapital financing activities							
Transfers in	-	835,000	-	5,000,000	555,968	6,390,968	-
Transfers out	-	-	(6,891,534)	-	(60,723)	(6,952,257)	-
Tax receipts	-	-	2,106,908	13,390	-	2,120,298	-
Intergovernmental agreements	-	-	1,000	-	-	1,000	-
Net cash flows from (used by) noncapital financing activities	<u>-</u>	<u>835,000</u>	<u>(4,783,626)</u>	<u>5,013,390</u>	<u>495,245</u>	<u>1,560,009</u>	<u>-</u>
Cash flows from capital and financing activities							
Proceeds from capital debt	-	-	1,812,246	49,637,334	-	51,449,580	-
Capital grants and contributions	1,128	-	-	7,242,884	289,966	7,533,978	-
Purchases of capital assets	(13,595)	(9,013)	(4,355,640)	(48,307,849)	(778,915)	(53,465,012)	(442,760)
Principal paid on capital debt	(74,817)	-	(274,945)	(2,656,199)	(59,937)	(3,065,898)	-
Interest paid on capital debt	(10,709)	-	(61,759)	(5,663,589)	(11,880)	(5,747,937)	-
Loan issuance costs	-	-	(30,824)	(893,555)	-	(924,379)	-
Proceeds from sale of capital assets	-	-	1,099,104	-	-	1,099,104	-
Net cash flows from (used by) capital and financing activities	<u>(97,993)</u>	<u>(9,013)</u>	<u>(1,811,818)</u>	<u>(640,974)</u>	<u>(560,766)</u>	<u>(3,120,564)</u>	<u>(442,760)</u>
Cash flows from investing activities							
Interest and dividends	<u>213,499</u>	<u>112</u>	<u>339,613</u>	<u>1,890,950</u>	<u>-</u>	<u>2,444,174</u>	<u>409,205</u>
Net cash flows from investing activities	<u>213,499</u>	<u>112</u>	<u>339,613</u>	<u>1,890,950</u>	<u>-</u>	<u>2,444,174</u>	<u>409,205</u>
Net change in cash and cash equivalents	786,352	16,675	(4,213,385)	11,537,223	(337,815)	7,789,050	1,692,382
Cash and cash equivalents, beginning of year, as adjusted	<u>5,022,897</u>	<u>99,757</u>	<u>9,082,736</u>	<u>26,347,352</u>	<u>601,376</u>	<u>41,154,118</u>	<u>9,367,070</u>
Cash and cash equivalents, end of year, (including \$335,045, \$5,410,132 and \$21,193 reported in restricted assets of the Irrigation and Drainage, Wastewater and Airport Funds, respectively)	<u>\$ 5,809,249</u>	<u>\$ 116,432</u>	<u>\$ 4,869,351</u>	<u>\$ 37,884,575</u>	<u>\$ 263,561</u>	<u>\$ 48,943,168</u>	<u>\$ 11,059,452</u>

(Continued)

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Refuse	Recreation / Aquatic Center	Irrigation and Drainage	Wastewater	Airport	Totals	Governmental Activities - Internal Service Funds
(Concluded)							
Reconciliation of operating income (loss) to net cash provided by operating activities							
Operating income (loss)	\$ 482,537	\$ (987,986)	\$ (439,515)	\$ 1,240,796	\$ (975,102)	\$ (679,270)	\$ 1,724,724
Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities:							
Depreciation expense	72,183	178,633	1,963,409	5,014,888	693,843	7,922,956	33,230
Other receipts (payments)	2,000	-	40,890	119,402	-	162,292	14,912
Change in assets/liabilities:							
Receivables, net	(27,290)	(5,968)	450,142	95,661	(27,890)	484,655	(121,927)
Inventories	-	58	-	-	-	58	-
Prepaid items	4,249	-	43,200	4,257	376	52,082	26,149
Accounts payable	29,109	(7,368)	(5,403)	478,033	(14,530)	479,841	4,219
Retainage payable	-	-	(58,361)	(1,731,672)	24,787	(1,765,246)	-
Intergovernmental payable	-	-	(14,901)	483	-	(14,418)	-
Accrued wages and benefits	-	5,347	36,758	19,661	3,265	65,031	-
Compensated absences	-	7,289	34,555	13,749	4,815	60,408	-
Deferred revenue	-	571	(7,118)	18,599	12,902	24,954	-
Customer deposits	-	-	(1,210)	-	5,240	4,030	-
Claims payable	-	-	-	-	-	-	44,630
Landfill closure and postclosure care costs	<u>108,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,058</u>	<u>-</u>
Net cash from (used by) operating activities	<u>\$ 670,846</u>	<u>\$ (809,424)</u>	<u>\$ 2,042,446</u>	<u>\$ 5,273,857</u>	<u>\$ (272,294)</u>	<u>\$ 6,905,431</u>	<u>\$ 1,725,937</u>

Noncash Investing, Capital and Financing Activities

Loan issuance costs of \$1,541 and \$168,151 were amortized in the Irrigation and Drainage District and Wastewater Funds, respectively, during the year.

During the fiscal year, the Wastewater Fund used \$5,075,000 of WIFA loan proceeds to pay off an existing WIFA loan.

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Paid-On-Call Firefighters' Pension
Assets	
Cash and equivalents	\$ 18,672
Total assets	<u>18,672</u>
Net Assets	
Held in trust	\$ <u>18,672</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Paid-On-Call Firefighters' Pension
Additions	
Investment earnings	
Interest	\$ 388
Net increase (decrease) in the fair value of investments	<u>(25,610)</u>
Total additions	<u>(25,222)</u>
Deductions	
Administration	12,571
Benefits	<u>246,185</u>
Total deductions	<u>258,756</u>
Change in net assets	(283,978)
Net assets, beginning of year	<u>302,650</u>
Net assets, end of year	\$ <u>18,672</u>

The notes to the basic financial statements are an integral part of this statement.

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LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Havasu City, Arizona (City) was incorporated in 1978. The City operates under a council-manager form of government and provides services as authorized by Title 9, Arizona Revised Statutes including: public safety (police and fire), highway and streets, culture and recreation, planning and zoning, and general administrative services.

The accompanying financial statements of Lake Havasu City, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

A. Reporting Entity

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

The City has blended the following entities into its Comprehensive Annual Financial Report:

1. Irrigation and Drainage District (District) - The City has a legally mandated status as Trustee over the Irrigation and Drainage District as a result of the City's alternative method of incorporation in 1978 under a special Arizona law. The District was established in 1963 to build infrastructure and construct a water system. The members of the City Council are the District's board members and have the ability to significantly influence operations.
2. Improvement Districts No. 1-4 - The City has four improvement districts that were created to fund maintenance and improvements for specific property owners. Financing is provided through the assessment of property taxes. Council voted to dissolve Improvement District No. 3 on January 8, 2008.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *HURF Fund* accounts for the operations of the street maintenance department. Financing is provided by the City's share of gasoline taxes.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

The government reports the following major proprietary funds:

The *Refuse Fund* accounts for the operation of the City's waste hauling services and landfill.

The *Recreation/Aquatic Center Fund* accounts for the operation of the City's aquatic center.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

The *Irrigation and Drainage District Fund* accounts for the activities of the Irrigation and Drainage District, a blended component unit of the City. The District operates the City's water system.

The *Wastewater Fund* accounts for the activities of the City's sewer system.

The *Airport Fund* accounts for the activities of the City's airport.

Additionally, the government reports the following fund types:

The *Internal Service Funds* account for the City's limited risk self-insurance program for employee and dependant medical care and the City's vehicle replacement program.

The *Pension Trust Fund* accounts for the activities of the Paid-on-call Firefighters' Pension, which accumulates resources for pension benefit payments to qualified volunteer firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use for governmental activities, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments held by the State Treasurer and government securities held by Wells Fargo Brokerage Services in a Safekeeping Account.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the month-end cash balances. Arizona Revised Statute, Title 35, allows public monies to be invested with maturities of five years for non-operating funds and a duration of no longer than three years for operating funds. The City's investment policy is empowered by state statute to invest in demand deposits, obligations of U.S. government, its instrumentalities, A-1/P-1 rated commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State of Arizona's Local Government Investment Pool. The primary objectives in priority order of the City's investment activities shall be safety, liquidity, and return on investments. Investments are stated at fair value.

2. Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectibles.

Mohave County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Short-term Interfund Receivables/Payables

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

4. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Customer deposits are also restricted.

6. Capital Assets

Capital assets, which include land, improvements to land, buildings and building improvements, furniture, machinery, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Improvements other than buildings	10-20 years
Infrastructure	40-50 years
Furniture, machinery and equipment	3-10 years
Vehicles	3-10 years

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Claims Incurred But Not Reported

The estimated liability for claims incurred but not reported which is accrued in the Internal Service Fund is based on historic monthly claims paid factored by a percentage of completion by month for the preceding twelve months.

10. Net Assets

In the government-wide and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates Commission provide the City with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described above of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds. The Finance Director may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures (see Note 4.C. for exception).

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

The City is subject to the State of Arizona's Spending Limitation Law for Cities and Towns. This law does not permit the City to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed by the City during the year. However, at year-end the City encumbers the amounts necessary and available to pay liabilities outstanding for goods or services received but unpaid at June 30, after which warrants may be drawn against the encumbered amounts for 60 days immediately following the close of the fiscal year. After 60 days, the remaining unencumbered balances lapse, and are reappropriated in the following year.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Prior Period Adjustment

The City's fund balances/net assets and cash and cash equivalents as of July 1, 2007, required adjustments due to errors in the previously issued financial statements. Operating transfers between the General, HURF, Irrigation and Drainage District, and Airport Funds were improperly calculated in the previous fiscal year. In addition, the Insurance Liability Internal Service Fund was set up in error in the previous fiscal year. The following adjustments are necessary in order to properly state beginning fund balances/net assets and cash and cash equivalents:

Governmental Activities:

	<u>General Fund Balance</u>	<u>HURF Fund Balance</u>	<u>Governmental Activities Net Assets</u>
Fund balance/net assets at July 1, 2007, as previously reported	\$ 22,620,796	\$ 1,342,705	\$ 109,263,924
Operating transfers	(1,443,976)	616,852	(827,124)
Insurance Liability Internal Service Fund	<u>-</u>	<u>-</u>	<u>(86,400)</u>
Fund balance/net assets at July 1, 2007, as adjusted	<u>\$ 21,176,820</u>	<u>\$ 1,959,557</u>	<u>\$ 108,350,400</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Business-type Activities:

	Irrigation and Drainage District Fund	Wastewater Fund	Airport Fund	Other Funds	Total Business - Type Activities
Net assets at July 1, 2007, as previously reported	\$68,721,293	\$72,017,783	\$19,077,909	\$ 8,218,497	\$ 168,035,482
Operating transfers	552,124	-	275,000	-	827,124
Insurance Liability Internal Service Fund	<u>50,833</u>	<u>35,567</u>	<u>-</u>	<u>-</u>	<u>86,400</u>
Net assets at July 1, 2007, as adjusted	<u>\$69,324,250</u>	<u>\$72,053,350</u>	<u>\$19,352,909</u>	<u>\$ 8,218,497</u>	<u>\$ 168,949,006</u>
Cash and cash equivalents at July 1, 2007, as previously reported	\$ 8,479,779	\$26,311,785	\$ 326,376	\$ 5,122,654	\$ 40,240,594
Operating transfers	552,124	-	275,000	-	827,124
Insurance Liability Internal Service Fund	<u>50,833</u>	<u>35,567</u>	<u>-</u>	<u>-</u>	<u>86,400</u>
Cash and cash equivalents at July 1, 2007, as adjusted	<u>\$ 9,082,736</u>	<u>\$26,347,352</u>	<u>\$ 601,376</u>	<u>\$ 5,122,654</u>	<u>\$ 41,154,118</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

**Governmental Activities-
Internal Service Funds:**

	Vehicle Replacement Fund	Employee Benefit Trust Fund	Insurance Liability Fund	Total Internal Service Funds
Net assets at July 1, 2007, as previously reported	\$ 3,367,583	\$ 5,643,523	\$ 86,400	\$ 9,097,506
Insurance Liability Internal Service Fund	<u>-</u>	<u>-</u>	<u>(86,400)</u>	<u>(86,400)</u>
Net assets at July 1, 2007, as adjusted	<u>\$ 3,367,583</u>	<u>\$ 5,643,523</u>	<u>\$ -</u>	<u>\$ 9,011,106</u>
Cash and cash equivalents at July 1, 2007, as previously reported	\$ 3,357,043	\$ 6,010,027	\$ 86,400	\$ 9,453,470
Insurance Liability Internal Service Fund	<u>-</u>	<u>-</u>	<u>(86,400)</u>	<u>(86,400)</u>
Cash and cash equivalents at July 1, 2007, as adjusted	<u>\$ 3,357,043</u>	<u>\$ 6,010,027</u>	<u>\$ -</u>	<u>\$ 9,367,070</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

B. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2008 consist of the following:

Deposits	
Cash on hand	\$ 10,250
Cash in bank	9,198,781
Investments	
Pension Trust Mutual Fund	14,998
Investment sweep account	1,643,668
Cash on deposit with County Treasurer	142,443
State Treasurer's Investment Pool	61,555,434
U.S. Government securities	<u>8,000,000</u>
Total deposits and investments	80,565,574
Restricted assets	(5,766,370)
Fiduciary Fund cash and equivalents	<u>(18,672)</u>
Total cash and equivalents	\$ <u>74,780,532</u>

Deposits - The City's deposits at June 30, 2008, were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Investments - The City's Investment Policy, adopted on July 10, 1996 authorizes the City to invest in obligations of the United States Treasury and United States Agencies, certificates of deposit in eligible depositories, Banker's Acceptances, repurchase agreements, money market funds, or any obligations guaranteed by the United States of America or any of its agencies. The City is also empowered to invest, by resolution, in the State of Arizona Local Government Investment Pool.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares. The City's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national agency.

The City's investment in U.S. Government securities was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The remaining investments of the City were not subject to credit risk.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than five years.

The City's investments at June 30, 2008 consist of the following:

Investment Type	Investment Maturities (in years)			
	Amount	Less than 1	1-2	2-3
Pension Trust Mutual Fund	\$ 14,998	\$ 14,998	\$ -	\$ -
Investment sweep account	1,643,668	1,643,668	-	-
Cash on deposit with the County Treasurer	142,443	142,443	-	-
State Treasurer's Investment Pool	61,555,434	61,555,434	-	-
U.S. Government securities	<u>8,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>5,000,000</u>
Total Investments	<u>\$ 71,356,543</u>	<u>\$ 63,356,543</u>	<u>\$ 3,000,000</u>	<u>\$ 5,000,000</u>

2. Restricted Assets

Restricted assets in the proprietary funds at June 30, 2008 consisted of the following:

Customer deposits	\$ 356,838
Future debt service	<u>5,409,532</u>
	<u>\$ 5,766,370</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

3. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 167,121	\$ -
Miscellaneous (General Fund)	-	29,599
Delinquent property taxes receivable (Nonmajor Governmental Funds)	9,078	-
Grants and Miscellaneous (Nonmajor Governmental Funds)	-	42,024
Special assessments receivable (Debt Service Fund)	<u>313,875</u>	<u>-</u>
Total deferred revenue for governmental funds	\$ <u>490,074</u>	\$ <u>71,623</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

4. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 20,514,176	\$ 5,163,740	\$ -	\$ 25,677,916
Construction in progress	<u>4,496,748</u>	<u>11,729,856</u>	<u>(11,441,010)</u>	<u>4,785,594</u>
Total capital assets, not being depreciated	<u>25,010,924</u>	<u>16,893,596</u>	<u>(11,441,010)</u>	<u>30,463,510</u>
Capital assets being depreciated:				
Buildings and improvements	21,676,387	948,787	-	22,625,174
Improvements to land	7,792,084	3,693,426	-	11,485,510
Infrastructure	72,044,698	4,158,399	-	76,203,097
Furniture, machinery and equipment	<u>17,798,808</u>	<u>3,547,140</u>	<u>(986,180)</u>	<u>20,359,768</u>
Total capital assets being depreciated	<u>119,311,977</u>	<u>12,347,752</u>	<u>(986,180)</u>	<u>130,673,549</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,255,159)	(569,728)	-	(6,824,887)
Improvements to land	(2,303,131)	(216,189)	-	(2,519,320)
Infrastructure	(44,994,358)	(2,201,044)	-	(47,195,402)
Furniture, machinery and equipment	<u>(11,724,009)</u>	<u>(2,040,174)</u>	<u>984,364</u>	<u>(12,779,819)</u>
Total accumulated depreciation	<u>(65,276,657)</u>	<u>(5,027,135)</u>	<u>984,364</u>	<u>(69,319,428)</u>
Total capital assets, being depreciated, net	<u>54,035,320</u>	<u>7,320,617</u>	<u>(1,816)</u>	<u>61,354,121</u>
Governmental activities capital assets, net	<u>\$ 79,046,244</u>	<u>\$ 24,214,213</u>	<u>\$ (11,442,826)</u>	<u>\$ 91,817,631</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 3,323,430	\$ 39,199	\$ -	\$ 3,362,629
Water allocation rights	7,264,786	-	(1,099,105)	6,165,681
Construction in progress	<u>45,121,520</u>	<u>58,181,197</u>	<u>(99,809,316)</u>	<u>3,493,401</u>
Total capital assets, not being depreciated	<u>55,709,736</u>	<u>58,220,396</u>	<u>(100,908,421)</u>	<u>13,021,711</u>
Capital assets being depreciated:				
Buildings and improvements	34,193,986	111,402	-	34,305,388
Other improvements	246,282,780	99,742,048	-	346,024,828
Machinery, equipment and vehicles	<u>4,487,207</u>	<u>1,702,667</u>	<u>(385,774)</u>	<u>5,804,100</u>
Total capital assets being depreciated	<u>284,963,973</u>	<u>101,556,117</u>	<u>(385,774)</u>	<u>386,134,316</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,310,057)	(855,472)	-	(5,165,529)
Other improvements	(42,914,860)	(6,497,075)	-	(49,411,935)
Machinery, equipment and vehicles	<u>(3,212,707)</u>	<u>(570,409)</u>	<u>265,473</u>	<u>(3,517,643)</u>
Total accumulated depreciation	<u>(50,437,624)</u>	<u>(7,922,956)</u>	<u>265,473</u>	<u>(58,095,107)</u>
Total capital assets, being depreciated, net	<u>234,526,349</u>	<u>93,633,161</u>	<u>(120,301)</u>	<u>328,039,209</u>
Business-type activities capital assets, net	<u>\$ 290,236,085</u>	<u>\$ 151,853,557</u>	<u>\$ (101,028,722)</u>	<u>\$ 341,060,920</u>

During fiscal year 2007-08, the Wastewater Fund capitalized net interest costs of \$6,223,173. Total interest expense in this fund before capitalization was \$6,309,331.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 642,582
Public safety	1,584,369
Highways and streets	2,136,438
Culture and recreation	440,643
Transportation services	189,212
Tourism and promotion	661
Capital assets held by the City's Internal Service	
Funds are charged to the various functions based on their usage of the assets	<u>33,230</u>
Total depreciation expense-governmental activities	<u>\$ 5,027,135</u>
Business-type activities:	
Refuse	\$ 72,183
Recreation/Aquatic Center	178,633
Irrigation and Drainage	1,963,409
Wastewater	5,014,888
Airport	<u>693,843</u>
Total depreciation expense-business-type activities	<u>\$ 7,922,956</u>

5. Construction Commitments

The City has active construction projects at June 30, 2008. The projects include various street and park projects, water master plan and water system upgrades, and wastewater system expansion and treatment plant. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
Streets	\$ 4,910,890	\$ 935,811
Municipal facilities	1,905,347	2,491,700
Parks	<u>2,494,919</u>	<u>30,117</u>
Total governmental activities	<u>\$ 9,311,156</u>	<u>\$ 3,457,628</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Business-type Activities		
Project	Spent-to-date	Remaining Commitment
Airport	\$ 513,496	\$ 446,278
Water system	2,680,554	1,324,875
Wastewater system expansion	<u>44,633,537</u>	<u>8,758,366</u>
Total business-type activities	<u>\$ 47,827,587</u>	<u>\$ 10,529,519</u>

C. Interfund Receivables, Payables and Transfers

As of June 30, 2008 interfund receivables and payables were as follows:

Due To	Due From
	Nonmajor Governmental Funds
General Fund	\$ <u>944,103</u>

The above interfund receivables and payables reflect short-term loans to the Transit, Grants and CDBG funds.

Interfund transfers for the year ended June 30, 2008 consisted of the following:

Transfers to	Transfers From					
	General Fund	Capital Projects	Irrigation & Drainage	Airport	Nonmajor Governmental Funds	Total
General	\$ -	\$ -	\$ 989,194	\$ -	\$ -	\$ 989,194
HURF	-	315,803	-	-	-	315,803
Debt Service	2,323,823	-	865,946	60,723	-	3,250,492
Capital Projects	1,402,901	-	3,036,394	-	-	4,439,295
Recreation/Aquatic Center	835,000	-	-	-	-	835,000
Wastewater	3,000,000	-	2,000,000	-	-	5,000,000
Airport	510,968	-	-	-	45,000	555,968
Nonmajor governmental funds	<u>833,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>983,000</u>
	<u>\$ 8,905,692</u>	<u>\$ 315,803</u>	<u>\$ 6,891,534</u>	<u>\$ 60,723</u>	<u>\$ 195,000</u>	<u>\$ 16,368,752</u>

Transfers were made for general operating purposes and to fund capital projects.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

D. Obligations Under Leases

Capital Leases

The City has entered into lease agreements as a lessee for financing the acquisition of equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of their future minimum lease payments as of the inception date providing they meet the capitalization threshold.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Machinery and equipment	\$ 6,290,790	\$ 2,741,491
Less: accumulated depreciation	<u>(2,839,576)</u>	<u>(914,695)</u>
Total	<u>\$ 3,451,214</u>	<u>\$ 1,826,796</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30,	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2009	\$ 1,396,227	\$ 505,505
2010	1,187,936	481,781
2011	984,361	372,205
2012	745,030	302,200
2013	296,717	166,645
2014-18	<u>148,358</u>	<u>83,322</u>
Total minimum lease payments	4,758,629	1,911,658
Less: amount representing interest	<u>(273,174)</u>	<u>(242,026)</u>
Present value of minimum lease payments	<u>\$ 4,485,455</u>	<u>\$ 1,669,632</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

E. Long-term Obligations

The City has long-term bonds and loans payable issued to provide funds for the acquisition and construction of major capital facilities. The City has also issued debt to refund earlier obligations with higher interest rates. The debt is being repaid by the Debt Service, Irrigation and Drainage and Wastewater Funds. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund. Capital leases are paid by the applicable fund where the vehicles and equipment purchased will be used, primarily the General Fund.

The City has pledged revenue derived from an annual assessment and levy of taxes upon the real property of the Irrigation and Drainage District to repay \$4,120,000 in refunding bonds issued February 1993. Special assessment districts are created only by petition of the City council by property owners within the District areas. Proceeds of the bonds were used to advance refund all of the District's outstanding bonds and payment of the costs of issuance of the Series 1993 bonds. The bonds are payable solely from tax assessments on the property owners and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$214,525. Principal and interest paid for the current year and total assessed taxes were \$29,900 and \$2,122,847, respectively.

The City has pledged assessed taxes from each of the homeowners within the McCulloch Boulevard Streetscape Improvement District to repay \$891,000 in governmental special assessments obligations issued in May 2001. Special assessment districts are created only by petition of the City Council by property owners within the District areas. Proceeds of the bonds provided financing for the improvements in the McCulloch Boulevard Streetscape Improvement District. In case of default, the City has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received. The bonds are payable solely from property assessments and are payable through 2012. The total principal and interest to be paid on the bonds is \$470,230. Principal and interest paid for the current year and total assessments collected were \$119,216 and \$124,318, respectively.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$192,989,430 in wastewater system revenue bonds in the form of loans from the Water Infrastructure Financing Authority (WIFA) issued October 2002 (\$17,015,000), April 2004 (\$5,940,000), December 2004 (\$50,065,000), December 2005 (\$6,220,000), October 2006 (\$60,835,000), and August 2007 (\$52,914,430). Proceeds from the bonds provided financing for the construction of the Wastewater System Expansion Program. The bonds are payable solely from wastewater customer net revenues and are payable through 2037. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. The total principal and interest remaining to be paid on the bonds is \$249,799,560. Principal and interest paid for the current year and total customer net revenues were \$11,041,837 and \$16,747,088, respectively.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$58,070,000 in water system revenue bonds issued by Greater Arizona Development Authority (GADA) in August 2005. Proceeds from the bonds provided financing for the Wastewater System Expansion Program. The bonds are payable solely from wastewater customer net revenues and are payable through 2035. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. The total principal and interest remaining to be paid on the bonds is \$123,357,250. Principal and interest paid for the current year and total customer net revenues were \$2,808,242 and \$16,747,088, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$5,700,000 in water system revenue bonds in the form of a loan from WIFA issued in June 2007. Proceeds from the bonds provided financing for construction of water service line replacement and water main line replacement within the Wastewater System Expansion Program. The bonds are payable solely from water customer net revenues and are payable through 2027. Loan covenants require the City to maintain 1.2 times coverage of net revenues to current year debt service payments. The total principal and interest remaining to be paid on the bonds is \$7,622,863. Principal and interest paid for the current year and total customer net revenues were \$51,678 and \$1,816,296, respectively.

The City has pledged future excise tax revenues, which include the City's sales and transaction privilege, franchise taxes, all license and permit fees and fines and forfeitures to repay \$2,615,000 in governmental excise tax revenue obligations in the form of a loan from GADA issued in April 2008. Proceeds of the bonds were used to purchase a parcel of land from the Arizona State Land Department for the Freedom Bridge (the second bridge to the Island). The bonds are payable solely from excise taxes and are payable through 2023. Loan covenants require the City to maintain 1.25 times coverage of excise tax revenues to current year debt service payments. Total principal and interest to be paid on the bonds is \$3,651,519. Principal and interest paid for the current year and total excise taxes were \$-0- and \$34,612,756, respectively.

The City has pledged excise tax revenues, which include the City's sales and transaction privilege, franchise taxes, all license and permit fees and fines and forfeitures to repay \$14,135,000 in governmental excise tax revenue refunding obligations issued in February 1999. Proceeds of the bonds were used to refund a portion of the City's lease obligations relating to the outstanding Lake Havasu City Municipal Property Corporation Revenue Bonds issued in January 1993. The bonds are payable solely from excise taxes and were payable through 2008. Annual principal and interest payments required excise tax coverage of 2.5 times the debt service payments. Total principal and interest on these bonds were fully satisfied in fiscal year 2007-08. Principal and interest paid for the current year and total excise taxes were \$3,653,910 and \$34,612,756, respectively.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Changes in long-term obligations for the year ended June 30, 2008 are as follows:

	<u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2008</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and loans payable:					
Revenue bonds	\$ 3,510,000	\$ 2,615,000	\$ (3,510,000)	\$ 2,615,000	\$ 105,000
Special assessment debt with government commitment	<u>520,000</u>	<u>-</u>	<u>(95,000)</u>	<u>425,000</u>	<u>95,000</u>
Total bonds and loans payable	<u>4,030,000</u>	<u>2,615,000</u>	<u>(3,605,000)</u>	<u>3,040,000</u>	<u>200,000</u>
Other liabilities:					
Capital leases	6,032,598	-	(1,547,143)	4,485,455	1,252,225
Compensated absences	<u>1,557,912</u>	<u>2,279,806</u>	<u>(1,999,195)</u>	<u>1,838,523</u>	<u>1,793,173</u>
Governmental activities long-term liabilities	<u>\$ 11,620,510</u>	<u>\$ 4,894,806</u>	<u>\$ (7,151,338)</u>	<u>\$ 9,363,978</u>	<u>\$ 3,245,398</u>
Business-type Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 155,000	\$ -	\$ (10,000)	\$ 145,000	\$ 15,000
GADA revenue bonds	58,070,000	-	-	58,070,000	-
WIFA notes payable	110,433,162	58,445,589	(9,222,106)	159,656,645	11,797,655
Plus: deferred amount on premium	<u>2,667,226</u>	<u>-</u>	<u>(95,259)</u>	<u>2,571,967</u>	<u>95,258</u>
Total bonds and notes payable	<u>171,325,388</u>	<u>58,445,589</u>	<u>(9,327,365)</u>	<u>220,443,612</u>	<u>11,907,913</u>
Other liabilities:					
Capital leases	1,995,812	-	(326,180)	1,669,632	447,238
Compensated absences	198,009	353,727	(293,319)	258,417	258,417
Landfill closure and postclosure care costs	<u>2,041,714</u>	<u>108,058</u>	<u>-</u>	<u>2,149,772</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 175,560,923</u>	<u>\$ 58,907,374</u>	<u>\$ (9,946,864)</u>	<u>\$ 224,521,433</u>	<u>\$ 12,613,568</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Debt service requirements on long-term debt at June 30, 2008 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 200,000	\$ 159,039	\$ 11,812,655	\$ 8,548,629
2010	240,000	120,635	5,819,621	8,307,177
2011	250,000	111,076	6,034,868	8,127,725
2012	260,000	99,710	7,568,500	7,941,790
2013	150,000	90,963	7,785,622	7,714,146
2014-18	865,000	353,263	44,710,352	34,838,235
2019-23	1,075,000	147,063	54,951,603	27,359,289
2024-28	-	-	46,489,823	18,644,582
2029-33	-	-	38,796,354	10,271,524
2034-38	-	-	23,444,061	1,827,642
	<u>\$ 3,040,000</u>	<u>\$ 1,081,749</u>	<u>\$ 247,413,459</u>	<u>\$ 133,580,739</u>

The \$247,413,459 principal amount above includes \$29,541,814 of authorized WIFA loan proceeds not drawn down by the City as of June 30, 2008.

F. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that Lake Havasu City, Arizona place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,149,772 as of June 30, 2008, which is based on 38% usage of the landfill. It is estimated that an additional \$3,457,865 will be recognized as closure and postclosure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2040). The estimated total current cost of the landfill closure and postclosure care (\$5,607,637) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2008. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. No assets have been restricted for the payment of closure and postclosure costs as of June 30, 2008.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - OTHER INFORMATION

A. Risk Management

Lake Havasu City, Arizona is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City is insured by Arizona State Workers Compensation Insurance Fund for potential worker related accidents.

During fiscal year 1995, the City established the Lake Havasu City Employee Benefit Plan (an internal service fund) to account for and finance its uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents. For the fiscal year ended June 30, 2008, the Employee Benefit Plan provided coverage for up to \$125,000 for each insured's health care claim with an additional \$29,000 in liability to the Plan for amounts over the \$125,000 threshold. Additionally, the Plan maintains an aggregate stop loss policy with an annual reimbursable limit of \$1,000,000. The City purchases commercial insurance for claims in excess of coverage provided by the Plan and for all other risks of loss. Settled claims were equal to the aggregate stop loss for the year ended June 30, 2008. Settlements did not exceed insurance coverage for each of the past three fiscal years.

All funds of the City participate in the program and make payments to the Employee Benefit Plan based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. The claims liability reported at June 30, 2008 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amount for the years ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Claims payable, beginning of year	\$ 460,370	\$ 406,000
Current year claims and changes in estimates	5,033,154	3,847,640
Claim payments	<u>(4,988,524)</u>	<u>(3,793,270)</u>
Claims payable, end of year	<u>\$ 505,000</u>	<u>\$ 460,370</u>

B. Contingent Liabilities

Lawsuits - The City is a defendant in various lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the City's attorney such matters will not have a material adverse effect on the City's financial position at June 30, 2008.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

C. Budgetary Basis of Accounting

The adopted budget of the City was prepared on a basis consistent with accounting principles generally accepted in the United States of America, with one exception. The present value of net minimum capital lease payments was not budgeted as General and HURF Fund expenditures and other financing sources. Consequently, the following adjustments are necessary to present actual expenditures, other financing sources and fund balances at the end of the year on a budgetary basis in order to provide a meaningful comparison.

	<u>General Fund</u>	
	<u>Total Expenditures</u>	<u>Fund Balance End of Year</u>
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 41,972,915	\$ 16,060,199
Present value of net minimum capital lease payments	<u>(691,826)</u>	<u>(1,325,626)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual - General Fund	\$ <u>41,281,089</u>	\$ <u>14,734,573</u>

The City expended \$691,826 of lease proceeds from the prior year. In addition, the City had not expended \$1,325,626 of its lease proceeds in the General Fund as of June 30, 2008.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

	<u>HURF Fund</u>	
	<u>Total Expenditures</u>	<u>Fund Balance End of Year</u>
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 6,610,536	\$ 706,819
Revenue refunding bond Present value of net minimum capital lease payments	<u>(616,852)</u>	<u>-</u>
Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual - HURF Fund	\$ <u>5,993,684</u>	\$ <u>706,819</u>

The City expended \$616,852 of lease proceeds from the prior year.

D. Subsequent Events

Subsequent to June 30, 2008, the City incurred a potential loss of \$889,358 on investments in the State Treasurer's Local Government Investment Pool 5 due to Lehman Brothers Holding Inc. filing for Chapter 11 reorganization. These holdings are subject to recovery at a portion of their value. Any loss will be reflected in the next fiscal year.

In addition, the City closed on a Water Infrastructure Financing Authority loan on October 7, 2008 in the amount of \$45,585,000 for wastewater system expansion.

Councilmember Allan Sturtevant, whose term expired in November 2008, resigned his seat on Council on August 25, 2008. Don Callahan, the candidate with the highest number of votes in the election for expired seats was appointed on September 22, 2008 to fill the vacated seat for the remainder of the term.

E. Retirement Plans

Arizona State Retirement System

Plan Description - The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778, or viewed on their website: www.azasrs.gov/web/index.do.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the year ended June 30, 2008, active plan members and the City were each required by statute to contribute at the actuarially determined rate of 9.60 percent (9.10 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The City's contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$1,836,730, \$1,545,372, and \$1,167,166, respectively, which were equal to the required contributions for the year.

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement, death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 13.96 percent of annual covered payroll for police and 16.23 percent of annual covered payroll for fire.

Annual Pension Cost - During the year ended June 30, 2007 (the date of the latest available information), Lake Havasu City, Arizona's annual pension cost of \$578,055 for police and \$418,343 for fire was equal to the City's required and actual contributions.

The required contribution was determined as part of the June 30, 2007, actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 5.5% (including inflation at 5.00%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2008

Funding Status and Funding Progress - As of June 30, 2007, the most recent actuarial valuation date, the plan was 62.2 percent funded for police and 70.8 percent funded for fire. For police, the actuarial accrued liability for benefits was \$24.2 million, and the actuarial value of assets was \$15.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.2 million. For fire, the actuarial accrued liability for benefits was \$27.9 million, and the actuarial value of assets was \$19.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.7 million for police and \$4.3 million for fire, and the ratio of the UAAL to the covered payroll was 161.5 percent for police and 188.4 percent for fire.

The actuarial value of the City's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

Three-Year Trend Information

Police

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 382,525	100.0 %	\$ -
2006	520,106	100.0	-
2007	578,055	100.0	-

Fire

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 224,593	100.0 %	\$ -
2006	102,416	100.0	-
2007	418,343	100.0	-

Additional historical trend information for the City's PSPRS is disclosed on pages 82 - 83.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

Paid-on-call (POC) Firefighters Pension Fund

The following brief description of the Paid-on-call Firefighters' Pension Fund (Fund) is provided for general information purposes only. The Fund is a defined contribution pension plan. Reference is made to the Fund agreement for more complete information.

General - The Fund is a single-employer defined contribution pension plan which covers all paid on-call firefighters of Lake Havasu City, Arizona's Fire Department (the "Employer"). The Fund is a mandatory savings fund.

The Fund is comprised of employees' required pre-tax salary reductions. The employer makes a contribution in an amount of 5 percent of gross wages of the employee plus the paid on-call Firefighter's share of the premium tax remitted to a 457 deferred compensation investment plan. During the fiscal year ended June 30, 2008, there were no active paid-on-call firefighters. No contributions were made by employees or the employer. Council approved termination of the Plan on December 11, 2007.

All inactive participants with account balances remaining in the Plan received distributions of their individual account balances plus the employer contributions which were 100% vested. The remaining assets of the Plan are currently in final disposition and liquidation phase of their life cycle. These assets (when liquidated) will be distributed to those inactive participants with balances remaining in the Plan as of September 30, 2007.

Plan Administration - The Plan is administered by an Advisory Committee appointed by the employer. The Advisory Committee has hired an investment manager to oversee the investing activities of the fund. Expenses incident to the operation of the fund may be paid by the fund or directly by the employer.

Required Supplementary Information

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEMS
SCHEDULE OF FUNDING PROGRESS

Lake Havasu City Police

Fiscal Year Ended June 30,	Annual Required Contribution*	Percent Contributed
2005	\$ 382,525	100.0 %
2006	520,106	100.0
2007	578,055	100.0

* Includes insurance premium tax, where applicable.

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over(Under) funded AAL	Annual Covered Payroll	Over(Under) funded AAL as a Percentage of Covered Payroll
2005	\$14,253,619	\$16,879,347	84.4 %	\$ (2,625,728)	\$ 4,000,526	(65.6)%
2006	15,151,184	20,017,363	75.7	(4,866,179)	4,353,738	(111.8)
2007	15,063,144	24,222,493	62.2	(9,159,349)	5,671,479	(161.5)

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEMS
SCHEDULE OF FUNDING PROGRESS

Lake Havasu City Fire Fighters

Fiscal Year Ended June 30,	Annual Required Contribution*	Percent Contributed
2005	\$ 224,593	100.0 %
2006	102,416	100.0
2007	418,343	100.0

* Includes insurance premium tax, where applicable.

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over(Under) funded AAL	Annual Covered Payroll	Over(Under) funded AAL as a Percentage of Covered Payroll
2005	\$ 21,425,600	\$ 23,165,640	92.5 %	\$ (1,740,040)	\$ 2,729,408	(63.8)%
2006	20,860,611	25,812,646	80.8	(4,952,035)	3,059,147	(161.9)
2007	19,765,656	27,921,547	70.8	(8,155,891)	4,329,999	(188.4)

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**Combining and Individual Fund
Statements and Schedules**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Local Transportation Assistance Fund (Lottery) - To account for the funds provided by the City's portion of the State Lottery Fund.

Tourism/Economic Development Fund - To account for expenditures made to promote, develop and enhance the tourism industry and economic development in the City. Financing is from a 3% citywide "Bed Tax" imposed on local hotel/motel establishments and a 1% restaurant and bar tax.

City Transit Fund - To account for federal grants and City contributions to provide a low-cost, door-to-door demand response transportation and scheduled bus route services for the general public.

Grants Fund - To account for the activity of the miscellaneous federal and state grants.

Community Development Block Grant (CDBG)/State Home Fund (Home) - To account for Community Development Block Grants and State Home Fund monies, which are federal and state funds to be used for the development of viable urban communities, decent housing and a suitable living environment, and expanded economic opportunities.

Improvement District No. 1 Fund - To account for maintenance and improvements to the gas lights along the residential area of London Bridge Golf Course. Financing is provided through the assessment of property taxes.

Improvement District No. 2 Fund - To account for maintenance and improvements to the London Bridge shopping area. Financing is provided through the assessment of property taxes.

Improvement District No. 3 Fund - To account for maintenance and improvements to the gas lights and irrigation service in the Lakeview Mobile Park. Financing is provided through the assessment of property taxes.

Improvement District No. 4 Fund - To account for maintenance and improvements to the gas lights, utility service and median center of the lower McCulloch Boulevard Business District. Financing is provided through the assessment of property taxes.

Special Programs Fund - To account for the activity of various City programs funded with program generated revenues and outside agency contributions.

LAKE HAVASU CITY, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue							
	Lottery	Tourism / Economic Development	City Transit	Grants	CDBG/Home	Improvement District No. 1	Improvement District No. 2	Improvement District No. 3
Assets								
Cash and equivalents	\$ 1,803	\$ 218,730	\$ 200	\$ -	\$ -	\$ 35,413	\$ 43,946	\$ -
Receivables, net								
Accounts receivable	-	9,719	933	-	-	-	-	-
Taxes receivable	-	-	-	-	-	5,638	3,738	110
Intergovernmental receivable	-	78,580	505,556	555,417	49,739	729	22	-
Prepaid items	-	-	3,169	-	-	-	-	-
Total assets	<u>\$ 1,803</u>	<u>\$ 307,029</u>	<u>\$ 509,858</u>	<u>\$ 555,417</u>	<u>\$ 49,739</u>	<u>\$ 41,780</u>	<u>\$ 47,706</u>	<u>\$ 110</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 52	\$ 22,338	\$ 15,360	\$ -	\$ -	\$ 600	\$ -
Accrued wages and benefits	-	-	68,793	-	-	-	-	-
Interest payable	-	-	6	-	-	-	-	-
Intergovernmental payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	394,519	499,845	49,739	-	-	-
Deferred revenue	-	1,812	-	40,212	-	4,553	3,238	110
Total liabilities	<u>-</u>	<u>1,864</u>	<u>485,656</u>	<u>555,417</u>	<u>49,739</u>	<u>4,553</u>	<u>3,838</u>	<u>110</u>
Fund balances								
Reserved for prepaid items	-	-	3,169	-	-	-	-	-
Unreserved	<u>1,803</u>	<u>305,165</u>	<u>21,033</u>	<u>-</u>	<u>-</u>	<u>37,227</u>	<u>43,868</u>	<u>-</u>
Total fund balances	<u>1,803</u>	<u>305,165</u>	<u>24,202</u>	<u>-</u>	<u>-</u>	<u>37,227</u>	<u>43,868</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,803</u>	<u>\$ 307,029</u>	<u>\$ 509,858</u>	<u>\$ 555,417</u>	<u>\$ 49,739</u>	<u>\$ 41,780</u>	<u>\$ 47,706</u>	<u>\$ 110</u>

Special Revenue		
Improvement District No. 4	Special Programs	Total Nonmajor Governmental Funds
\$ 17,304	\$ 271,836	\$ 589,232
-	900	11,552
1,627	-	11,113
326	53,000	1,243,369
-	-	3,169
<u>\$ 19,257</u>	<u>\$ 325,736</u>	<u>\$ 1,858,435</u>
\$ -	\$ 11,510	\$ 49,860
-	-	68,793
-	-	6
-	1,270	1,270
-	-	944,103
1,177	-	51,102
<u>1,177</u>	<u>12,780</u>	<u>1,115,134</u>
-	-	3,169
<u>18,080</u>	<u>312,956</u>	<u>740,132</u>
<u>18,080</u>	<u>312,956</u>	<u>743,301</u>
<u>\$ 19,257</u>	<u>\$ 325,736</u>	<u>\$ 1,858,435</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue							
	Lottery	Tourism / Economic Development	City Transit	Grants	CDBG/Home	Improvement District No. 1	Improvement District No. 2	Improvement District No. 3
Revenues								
Taxes								
Sales taxes	\$ -	\$ 1,520,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	106,920	19,566	770
Intergovernmental	250,685	-	1,891,501	634,850	746,270	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Charges for services	-	-	83,925	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	385	65	3
Other	-	-	7,692	-	-	-	-	-
Total revenues	<u>250,685</u>	<u>1,520,189</u>	<u>1,983,118</u>	<u>634,850</u>	<u>746,270</u>	<u>107,305</u>	<u>19,631</u>	<u>773</u>
Expenditures								
Current								
General government	-	-	-	494,130	746,270	118,304	14,359	17,094
Public safety	-	-	-	140,672	-	-	-	-
Highways and streets	57,872	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Tourism and promotion	-	1,582,324	-	-	-	-	-	-
Transportation services	-	-	2,951,817	48	-	-	-	-
Total expenditures	<u>57,872</u>	<u>1,582,324</u>	<u>2,951,817</u>	<u>634,850</u>	<u>746,270</u>	<u>118,304</u>	<u>14,359</u>	<u>17,094</u>
Excess (deficiency) of revenues over expenditures	<u>192,813</u>	<u>(62,135)</u>	<u>(968,699)</u>	<u>-</u>	<u>-</u>	<u>(10,999)</u>	<u>5,272</u>	<u>(16,321)</u>
Other financing sources (uses)								
Transfers in	-	-	983,000	-	-	-	-	-
Transfers out	<u>(195,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(195,000)</u>	<u>-</u>	<u>983,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,187)	(62,135)	14,301	-	-	(10,999)	5,272	(16,321)
Fund balances, beginning of year	<u>3,990</u>	<u>367,300</u>	<u>9,901</u>	<u>-</u>	<u>-</u>	<u>48,226</u>	<u>38,596</u>	<u>16,321</u>
Fund balances, end of year	<u>\$ 1,803</u>	<u>\$ 305,165</u>	<u>\$ 24,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,227</u>	<u>\$ 43,868</u>	<u>\$ -</u>

Special Revenue		
Improvement District No. 4	Special Programs	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,520,189
49,745	-	177,001
-	118,822	3,642,128
-	96,541	96,541
-	38,399	122,324
-	6,910	6,910
191	-	644
-	<u>2</u>	<u>7,694</u>
<u>49,936</u>	<u>260,674</u>	<u>5,573,431</u>
58,246	108,607	1,557,010
-	116,730	257,402
-	-	57,872
-	7,485	7,485
-	-	1,582,324
-	-	<u>2,951,865</u>
<u>58,246</u>	<u>232,822</u>	<u>6,413,958</u>
<u>(8,310)</u>	<u>27,852</u>	<u>(840,527)</u>
-	-	983,000
-	-	<u>(195,000)</u>
-	-	<u>788,000</u>
(8,310)	27,852	(52,527)
<u>26,390</u>	<u>285,104</u>	<u>795,828</u>
<u>\$ 18,080</u>	<u>\$ 312,956</u>	<u>\$ 743,301</u>

LAKE HAVASU CITY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Special assessments	\$ 119,216	\$ 124,318	\$ 5,102
Investment earnings	<u>3,000</u>	<u>4,515</u>	<u>1,515</u>
Total revenues	<u>122,216</u>	<u>128,833</u>	<u>6,617</u>
Expenditures			
Debt Service			
Principal retirement	3,810,488	3,605,000	205,488
Interest on long-term debt	<u>567,606</u>	<u>192,875</u>	<u>374,731</u>
Total expenditures	<u>4,378,094</u>	<u>3,797,875</u>	<u>580,219</u>
Excess (deficiency) of revenues over expenditures	<u>(4,255,878)</u>	<u>(3,669,042)</u>	<u>586,836</u>
Other financing sources (uses)			
Transfers in	<u>3,849,968</u>	<u>3,250,492</u>	<u>(599,476)</u>
Total other financing sources (uses)	<u>3,849,968</u>	<u>3,250,492</u>	<u>(599,476)</u>
Net change in fund balances	(405,910)	(418,550)	(12,640)
Fund balances, beginning of year	<u>536,246</u>	<u>566,868</u>	<u>30,622</u>
Fund balances, end of year	<u>\$ 130,336</u>	<u>\$ 148,318</u>	<u>\$ 17,982</u>

LAKE HAVASU CITY, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ 4,985,874	\$ 4,985,874	\$ 3,901,671	\$ (1,084,203)
Contributions and donations	600,000	600,000	-	(600,000)
Impact fees	-	-	10,674	10,674
Other	<u>172,854</u>	<u>172,854</u>	<u>2,607</u>	<u>(170,247)</u>
Total revenues	<u>5,758,728</u>	<u>5,758,728</u>	<u>3,914,952</u>	<u>(1,843,776)</u>
Expenditures				
Capital outlay	<u>27,675,115</u>	<u>27,625,115</u>	<u>11,727,752</u>	<u>15,897,363</u>
Total expenditures	<u>27,675,115</u>	<u>27,625,115</u>	<u>11,727,752</u>	<u>15,897,363</u>
Excess (deficiency) of revenues over expenditures	<u>(21,916,387)</u>	<u>(21,866,387)</u>	<u>(7,812,800)</u>	<u>14,053,587</u>
Other financing sources (uses)				
Transfers in	17,948,337	17,948,337	4,439,295	(13,509,042)
Transfers out	(3,252,060)	(3,252,060)	(315,803)	2,936,257
Issuance of debt	<u>7,201,705</u>	<u>7,201,705</u>	<u>2,615,000</u>	<u>(4,586,705)</u>
Total other financing sources (uses)	<u>21,897,982</u>	<u>21,897,982</u>	<u>6,738,492</u>	<u>(15,159,490)</u>
Special item				
Sale of fixed assets	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>(1,200,000)</u>
Net change in fund balances	1,181,595	1,231,595	(1,074,308)	(2,305,903)
Fund balances, beginning of year	<u>5,131,290</u>	<u>5,131,290</u>	<u>6,978,374</u>	<u>1,847,084</u>
Fund balances, end of year	<u>\$ 6,312,885</u>	<u>\$ 6,362,885</u>	<u>\$ 5,904,066</u>	<u>\$ (458,819)</u>

LAKE HAVASU CITY, ARIZONA
 LOTTERY FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ <u>250,685</u>	\$ <u>250,685</u>	\$ <u>-</u>
Total revenues	<u>250,685</u>	<u>250,685</u>	<u>-</u>
Expenditures			
Current			
Highways and streets	<u>57,873</u>	<u>57,872</u>	<u>1</u>
Total expenditures	<u>57,873</u>	<u>57,872</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>192,812</u>	<u>192,813</u>	<u>1</u>
Other financing sources (uses)			
Transfers out	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>
Net change in fund balances	(2,188)	(2,187)	1
Fund balances, beginning of year	<u>3,825</u>	<u>3,990</u>	<u>165</u>
Fund balances, end of year	\$ <u>1,637</u>	\$ <u>1,803</u>	\$ <u>166</u>

LAKE HAVASU CITY, ARIZONA
 TOURISM / ECONOMIC DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Sales taxes	\$ 1,785,000	\$ 1,520,189	\$ (264,811)
Total revenues	<u>1,785,000</u>	<u>1,520,189</u>	<u>(264,811)</u>
Expenditures			
Current			
Tourism and promotion	1,775,600	1,582,324	193,276
Total expenditures	<u>1,775,600</u>	<u>1,582,324</u>	<u>193,276</u>
Excess (deficiency) of revenues over expenditures	9,400	(62,135)	(71,535)
Fund balances, beginning of year	<u>427,426</u>	<u>367,300</u>	<u>(60,126)</u>
Fund balances, end of year	<u>\$ 436,826</u>	<u>\$ 305,165</u>	<u>\$ (131,661)</u>

LAKE HAVASU CITY, ARIZONA
CITY TRANSIT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 2,078,402	\$ 1,891,501	\$ (186,901)
Charges for services	178,000	83,925	(94,075)
Other	-	7,692	7,692
Total revenues	<u>2,256,402</u>	<u>1,983,118</u>	<u>(273,284)</u>
Expenditures			
Current			
Transportation services	<u>3,482,112</u>	<u>2,951,817</u>	<u>530,295</u>
Total expenditures	<u>3,482,112</u>	<u>2,951,817</u>	<u>530,295</u>
Excess (deficiency) of revenues over expenditures	<u>(1,225,710)</u>	<u>(968,699)</u>	<u>257,011</u>
Other financing sources (uses)			
Transfers in	<u>1,225,000</u>	<u>983,000</u>	<u>(242,000)</u>
Total other financing sources (uses)	<u>1,225,000</u>	<u>983,000</u>	<u>(242,000)</u>
Net change in fund balances	(710)	14,301	15,011
Fund balances, beginning of year	<u>24,802</u>	<u>9,901</u>	<u>(14,901)</u>
Fund balances, end of year	<u>\$ 24,092</u>	<u>\$ 24,202</u>	<u>\$ 110</u>

LAKE HAVASU CITY, ARIZONA
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 2,020,477	\$ 634,850	\$ (1,385,627)
Total revenues	<u>2,020,477</u>	<u>634,850</u>	<u>(1,385,627)</u>
Expenditures			
Current			
General government	495,079	494,130	949
Public safety	1,531,298	140,672	1,390,626
Transportation services	8,000	48	7,952
Total expenditures	<u>2,034,377</u>	<u>634,850</u>	<u>1,399,527</u>
Excess (deficiency) of revenues over expenditures	(13,900)	-	13,900
Fund balances, beginning of year	<u>204,319</u>	<u>-</u>	<u>(204,319)</u>
Fund balances, end of year	<u>\$ 190,419</u>	<u>\$ -</u>	<u>\$ (190,419)</u>

LAKE HAVASU CITY, ARIZONA
CDBG/HOME FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ <u>3,137,800</u>	\$ <u>746,270</u>	\$ <u>(2,391,530)</u>
Total revenues	<u>3,137,800</u>	<u>746,270</u>	<u>(2,391,530)</u>
Expenditures			
Current			
General government	<u>3,137,800</u>	<u>746,270</u>	<u>2,391,530</u>
Total expenditures	<u>3,137,800</u>	<u>746,270</u>	<u>2,391,530</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 1 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Property taxes	\$ 110,000	\$ 106,920	\$ (3,080)
Interest	<u>-</u>	<u>385</u>	<u>385</u>
Total revenues	<u>110,000</u>	<u>107,305</u>	<u>(2,695)</u>
Expenditures			
Current			
General government	<u>151,970</u>	<u>118,304</u>	<u>33,666</u>
Total expenditures	<u>151,970</u>	<u>118,304</u>	<u>33,666</u>
Excess (deficiency) of revenues over expenditures	(41,970)	(10,999)	30,971
Fund balances, beginning of year	<u>51,999</u>	<u>48,226</u>	<u>(3,773)</u>
Fund balances, end of year	<u>\$ 10,029</u>	<u>\$ 37,227</u>	<u>\$ 27,198</u>

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 2 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Property taxes	\$ 18,000	\$ 19,566	\$ 1,566
Investment earnings	<u>-</u>	<u>65</u>	<u>65</u>
Total revenues	<u>18,000</u>	<u>19,631</u>	<u>1,631</u>
Expenditures			
Current			
General government	<u>39,311</u>	<u>14,359</u>	<u>24,952</u>
Total expenditures	<u>39,311</u>	<u>14,359</u>	<u>24,952</u>
Excess (deficiency) of revenues over expenditures	(21,311)	5,272	26,583
Fund balances, beginning of year	<u>27,520</u>	<u>38,596</u>	<u>11,076</u>
Fund balances, end of year	<u>\$ 6,209</u>	<u>\$ 43,868</u>	<u>\$ 37,659</u>

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 3 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes			
Property taxes	\$ -	\$ 770	\$ 770
Interest	<u>-</u>	<u>3</u>	<u>3</u>
Total revenues	<u>-</u>	<u>773</u>	<u>773</u>
Expenditures			
Current			
General government	<u>19,798</u>	<u>17,094</u>	<u>2,704</u>
Total expenditures	<u>19,798</u>	<u>17,094</u>	<u>2,704</u>
Excess (deficiency) of revenues over expenditures	(19,798)	(16,321)	3,477
Fund balances, beginning of year	<u>19,798</u>	<u>16,321</u>	<u>(3,477)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 4 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Property taxes	\$ 55,000	\$ 49,745	\$ (5,255)
Interest	<u>-</u>	<u>191</u>	<u>191</u>
Total revenues	<u>55,000</u>	<u>49,936</u>	<u>(5,064)</u>
Expenditures			
Current			
General government	<u>62,671</u>	<u>58,246</u>	<u>4,425</u>
Total expenditures	<u>62,671</u>	<u>58,246</u>	<u>4,425</u>
Excess (deficiency) of revenues over expenditures	(7,671)	(8,310)	(639)
Fund balances, beginning of year	<u>19,089</u>	<u>26,390</u>	<u>7,301</u>
Fund balances, end of year	<u>\$ 11,418</u>	<u>\$ 18,080</u>	<u>\$ 6,662</u>

LAKE HAVASU CITY, ARIZONA
SPECIAL PROGRAMS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 110,000	\$ 118,822	\$ 8,822
Fines and forfeitures	88,000	96,541	8,541
Charges for services	1,000	38,399	37,399
Contributions and donations	20,000	6,910	(13,090)
Other	-	2	2
Total Revenues	<u>219,000</u>	<u>260,674</u>	<u>41,674</u>
Expenditures			
Current			
General government	107,957	108,607	(650)
Public safety	97,100	116,730	(19,630)
Culture and recreation	<u>20,000</u>	<u>7,485</u>	<u>12,515</u>
Total Expenditures	<u>225,057</u>	<u>232,822</u>	<u>(7,765)</u>
Excess (deficiency) of revenues over expenditures	(6,057)	27,852	33,909
Fund balances, beginning of year	<u>161,185</u>	<u>285,104</u>	<u>123,919</u>
Fund balances, end of year	<u>\$ 155,128</u>	<u>\$ 312,956</u>	<u>\$ 157,828</u>

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INTERNAL SERVICE FUNDS

Vehicle Replacement Fund - To account for the City's vehicle and equipment replacement program.

Employee Benefit Trust Fund - To account for the City's uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents.

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	Vehicle Replacement	Employee Benefit Trust	Totals
Assets			
Current assets			
Cash and equivalents	\$ 4,681,538	\$ 6,377,914	\$ 11,059,452
Receivables, net			
Accounts receivable	-	137,661	137,661
Interest receivable	11,630	13,586	25,216
Prepaid items	-	19,790	19,790
Total current assets	<u>4,693,168</u>	<u>6,548,951</u>	<u>11,242,119</u>
Noncurrent assets			
Capital assets			
Depreciable (net)	<u>409,530</u>	-	<u>409,530</u>
Total noncurrent assets	<u>409,530</u>	-	<u>409,530</u>
Total assets	<u>5,102,698</u>	<u>6,548,951</u>	<u>11,651,649</u>
Liabilities			
Current liabilities			
Accounts payable	-	4,251	4,251
Claims payable	-	505,000	505,000
Total liabilities	<u>-</u>	<u>509,251</u>	<u>509,251</u>
Net assets			
Invested in capital assets, net of related debt	409,530	-	409,530
Unrestricted	<u>4,693,168</u>	<u>6,039,700</u>	<u>10,732,868</u>
Total net assets	<u>\$ 5,102,698</u>	<u>\$ 6,039,700</u>	<u>\$ 11,142,398</u>

LAKE HAVASU CITY, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Vehicle Replacement	Employee Benefit Trust	Totals
Operating revenues			
Charges for services	\$ 1,618,840	\$ -	\$ 1,618,840
Premiums	<u>-</u>	<u>5,941,508</u>	<u>5,941,508</u>
Total operating revenues	<u>1,618,840</u>	<u>5,941,508</u>	<u>7,560,348</u>
Operating expenses			
Premiums	-	277,576	277,576
Administration	-	491,664	491,664
Benefits	-	5,033,154	5,033,154
Depreciation	<u>33,230</u>	<u>-</u>	<u>33,230</u>
Total operating expenses	<u>33,230</u>	<u>5,802,394</u>	<u>5,835,624</u>
Operating income	<u>1,585,610</u>	<u>139,114</u>	<u>1,724,724</u>
Nonoperating revenues (expenses)			
Interest	149,505	242,151	391,656
Miscellaneous revenues	<u>-</u>	<u>14,912</u>	<u>14,912</u>
Total nonoperating revenues (expenses)	<u>149,505</u>	<u>257,063</u>	<u>406,568</u>
Change in net assets	1,735,115	396,177	2,131,292
Total net assets, beginning of year	<u>3,367,583</u>	<u>5,643,523</u>	<u>9,011,106</u>
Total net assets, end of year	<u>\$ 5,102,698</u>	<u>\$ 6,039,700</u>	<u>\$ 11,142,398</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Vehicle Replacement	Employee Benefit Trust	Totals
Cash flows from operating activities			
Receipts from customers	\$ 1,618,840	\$ 5,819,581	\$ 7,438,421
Payments to suppliers	-	(5,727,396)	(5,727,396)
Other receipts	-	14,912	14,912
Net cash flows from (used by) operating activities	<u>1,618,840</u>	<u>107,097</u>	<u>1,725,937</u>
Cash flows from noncapital financing activities			
Purchases of capital assets	(442,760)	-	(442,760)
Net cash flows from (used by) capital and financing activities	<u>(442,760)</u>	<u>-</u>	<u>(442,760)</u>
Cash flows from investing activities			
Interest and dividends	148,415	260,790	409,205
Net cash flows from investing activities	<u>148,415</u>	<u>260,790</u>	<u>409,205</u>
Net change in cash and cash equivalents	1,324,495	367,887	1,692,382
Cash and cash equivalents, beginning of year	<u>3,357,043</u>	<u>6,010,027</u>	<u>9,367,070</u>
Cash and cash equivalents, end of year,	<u>\$ 4,681,538</u>	<u>\$ 6,377,914</u>	<u>\$ 11,059,452</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income	\$ 1,585,610	\$ 139,114	\$ 1,724,724
Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities:			
Depreciation expense	33,230	-	33,230
Other receipts (payments)	-	14,912	14,912
Change in assets/liabilities:			
Receivables, net	-	(121,927)	(121,927)
Prepaid items	-	26,149	26,149
Accounts payable	-	4,219	4,219
Claims payable	-	44,630	44,630
Net cash from operating activities	<u>\$ 1,618,840</u>	<u>\$ 107,097</u>	<u>\$ 1,725,937</u>

STATISTICAL SECTION

This part of the City of Lake Havasu City, Arizona's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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LAKE HAVASU CITY, ARIZONA
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 36,170,959	\$ 44,518,547	\$ 46,769,169	\$ 49,705,688	\$ 69,549,691	\$ 84,717,176
Restricted	4,755,999	5,849,813	6,895,895	10,075,093	9,473,106	7,502,504
Unrestricted	<u>20,875,610</u>	<u>19,298,873</u>	<u>18,947,577</u>	<u>24,154,802</u>	<u>29,327,603</u>	<u>25,019,618</u>
Total governmental activities net assets	<u>\$ 61,802,568</u>	<u>\$ 69,667,233</u>	<u>\$ 72,612,641</u>	<u>\$ 83,935,583</u>	<u>\$ 108,350,400</u>	<u>\$ 117,239,298</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 96,686,600	\$ 98,939,694	\$ 106,779,037	\$ 143,521,523	\$ 135,934,350	\$ 147,265,013
Unrestricted	<u>14,325,762</u>	<u>23,289,617</u>	<u>29,642,653</u>	<u>8,508,879</u>	<u>33,014,656</u>	<u>33,854,356</u>
Total business-type activities net assets	<u>\$ 111,012,362</u>	<u>\$ 122,229,311</u>	<u>\$ 136,421,690</u>	<u>\$ 152,030,402</u>	<u>\$ 168,949,006</u>	<u>\$ 181,119,369</u>
Primary government						
Invested in capital assets, net of related debt	\$ 132,857,559	\$ 143,458,241	\$ 153,548,206	\$ 193,227,211	\$ 205,484,041	\$ 231,982,189
Restricted	4,755,999	5,849,813	6,895,895	10,075,093	9,473,106	7,502,504
Unrestricted	<u>35,201,372</u>	<u>42,588,490</u>	<u>48,590,230</u>	<u>32,663,681</u>	<u>62,342,259</u>	<u>58,873,974</u>
Total primary government net assets	<u>\$ 172,814,930</u>	<u>\$ 191,896,544</u>	<u>\$ 209,034,331</u>	<u>\$ 235,965,985</u>	<u>\$ 277,299,406</u>	<u>\$ 298,358,667</u>

Note: 2003 was the City's first year to prepare government-wide financial statements.

LAKE HAVASU CITY, ARIZONA
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 7,158,240	\$ 8,476,152	\$ 8,368,982	\$ 8,659,589	\$ 8,939,846	\$ 11,443,459
Public safety	13,067,015	14,960,107	16,646,139	18,067,192	21,061,456	24,929,038
Highways and streets	6,197,856	6,445,426	7,214,688	6,167,089	8,150,105	7,785,062
Transportation services	1,518,401	1,761,356	1,796,054	1,888,322	1,841,324	2,236,456
Tourism and promotion	1,201,872	1,264,920	1,398,228	1,529,094	1,577,687	1,582,985
Culture and recreation	3,262,316	3,724,502	4,533,104	4,566,607	5,005,653	5,708,732
Interest on long-term debt	903,514	732,398	581,320	450,892	314,557	192,875
Total governmental activities	<u>33,309,214</u>	<u>37,364,861</u>	<u>40,538,515</u>	<u>41,328,785</u>	<u>46,890,628</u>	<u>53,878,607</u>
Business-type activities						
Refuse	384,014	395,178	433,897	437,916	432,118	796,755
Recreation / Aquatic Center	1,118,978	1,165,795	1,220,529	1,182,535	1,293,160	1,421,768
Irrigation and Drainage	6,967,361	7,424,603	9,452,177	9,852,891	10,545,850	12,082,578
Wastewater	4,545,242	6,395,900	7,308,945	9,426,955	9,824,124	12,244,284
Airport	1,650,741	2,128,119	1,499,059	1,518,477	1,578,872	1,569,121
Total business-type activities	<u>14,666,336</u>	<u>17,509,595</u>	<u>19,914,607</u>	<u>22,418,774</u>	<u>23,674,124</u>	<u>28,114,506</u>
Total primary government expenses	<u>\$ 47,975,550</u>	<u>\$ 54,874,456</u>	<u>\$ 60,453,122</u>	<u>\$ 63,747,559</u>	<u>\$ 70,564,752</u>	<u>\$ 81,993,113</u>
Program Revenues						
Governmental activities:						
Fines, fees and charges for services:						
General government	\$ 4,201,970	\$ 4,362,919	\$ 4,312,475	\$ 5,419,483	\$ 4,591,229	\$ 3,803,583
Public safety	109,301	122,690	145,296	150,248	131,148	161,717
Highways and streets	74,765	28,743	39,402	23,773	105,697	7,880
Culture and recreation	551,332	575,014	551,165	635,464	654,523	670,950
Transportation services	336,825	382,816	367,310	354,059	171,779	91,617
Interest	66,728	41,746	80,978	-	16,040	29,091
Operating grants and contributions	5,289,206	5,817,861	6,874,258	6,938,568	8,737,113	9,255,906
Capital grants and contributions	868,693	4,697,048	367,726	643,939	17,022,840	6,215,355
Total governmental activities program revenues	<u>11,498,820</u>	<u>16,028,837</u>	<u>12,738,610</u>	<u>14,165,534</u>	<u>31,430,369</u>	<u>20,236,099</u>

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Business-type activities						
Charges for services:						
Refuse	744,172	847,270	917,215	967,991	1,042,200	1,269,783
Recreation/Aquatic Center	412,350	457,219	422,279	429,222	497,842	433,782
Irrigation and Drainage	9,556,571	11,187,833	11,945,099	12,322,158	12,690,337	11,590,238
Wastewater	4,107,757	4,441,473	5,110,191	7,333,204	11,071,344	13,331,015
Airport	443,613	484,506	545,364	551,921	557,926	581,215
Operating grants and contributions	1,185,737	1,247,605	1,360,656	1,908,002	85,129	1,000
Capital grants and contributions	<u>2,871,542</u>	<u>4,235,562</u>	<u>6,552,540</u>	<u>7,320,449</u>	<u>6,569,117</u>	<u>9,196,982</u>
Total business-type activities program revenues	<u>19,321,742</u>	<u>22,901,468</u>	<u>26,853,344</u>	<u>30,832,947</u>	<u>32,513,895</u>	<u>36,404,015</u>
Total primary government program revenues	<u>\$ 30,820,562</u>	<u>\$ 38,930,305</u>	<u>\$ 39,591,954</u>	<u>\$ 44,998,481</u>	<u>\$ 63,944,264</u>	<u>\$ 56,640,114</u>
Net (expense)/revenue						
Governmental activities	\$ (21,810,394)	\$ (21,336,024)	\$ (27,799,905)	\$ (27,163,251)	\$ (15,460,259)	\$ (33,642,508)
Business-type activities	<u>4,655,406</u>	<u>5,391,873</u>	<u>6,938,737</u>	<u>8,414,173</u>	<u>8,839,771</u>	<u>8,289,509</u>
Total primary government net expense	<u>\$ (17,154,988)</u>	<u>\$ (15,944,151)</u>	<u>\$ (20,861,168)</u>	<u>\$ (18,749,078)</u>	<u>\$ (6,620,488)</u>	<u>\$ (25,352,999)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Sales taxes	\$ 17,455,115	\$ 19,055,160	\$ 20,558,443	\$ 22,880,568	\$ 21,552,577	\$ 18,825,309
Property taxes	2,983,706	3,107,290	3,497,095	4,042,201	4,442,505	4,659,276
Franchise taxes	224,516	258,528	254,675	227,038	746,815	1,733,704
Impact fees	-	-	-	-	185,562	10,674
State revenue sharing	4,463,510	3,781,523	3,855,258	4,390,884	6,066,778	7,519,909
State sales tax revenue sharing	3,279,879	3,528,252	3,885,149	4,520,559	5,078,851	4,910,888
Auto lieu tax revenue sharing	2,308,162	2,389,482	2,620,537	3,008,101	3,244,184	3,102,207
Investment earnings	(371,813)	480,411	621,096	1,066,812	1,198,654	1,193,238
Other	90,871	36,861	17,325	71,692	18,705	14,912
Special item - proceeds from sale of capital assets	80,438	-	-	-	-	-
Transfers	<u>(11,983,144)</u>	<u>(3,436,818)</u>	<u>(4,564,265)</u>	<u>(1,721,662)</u>	<u>(2,659,555)</u>	<u>561,289</u>
Total governmental activities:	<u>18,531,240</u>	<u>29,200,689</u>	<u>30,745,313</u>	<u>38,486,193</u>	<u>39,875,076</u>	<u>42,531,406</u>
Business-type activities:						
Property taxes	2,149,954	2,052,192	1,992,909	2,034,044	2,111,867	2,156,284
Interest earnings (loss)	(166,709)	336,066	696,468	3,438,833	3,757,572	2,285,859
Special item - proceeds (loss) from sale of fixed assets	(62,744)	-	-	-	-	-
Transfers	<u>11,983,144</u>	<u>3,436,818</u>	<u>4,564,265</u>	<u>1,721,662</u>	<u>2,659,555</u>	<u>(561,289)</u>
Total business-type activities	<u>13,903,645</u>	<u>5,825,076</u>	<u>7,253,642</u>	<u>7,194,539</u>	<u>8,528,994</u>	<u>3,880,854</u>
Total primary government	<u>\$ 32,434,885</u>	<u>\$ 35,025,765</u>	<u>\$ 37,998,955</u>	<u>\$ 45,680,732</u>	<u>\$ 48,404,070</u>	<u>\$ 46,412,260</u>
Change in Net Assets						
Governmental activities	\$ (3,279,154)	\$ 7,864,665	\$ 2,945,408	\$ 11,322,942	\$ 24,414,817	\$ 8,888,898
Business-type activities	<u>18,559,051</u>	<u>11,216,949</u>	<u>14,192,379</u>	<u>15,608,712</u>	<u>17,368,765</u>	<u>12,170,363</u>
Total primary government	<u>\$ 15,279,897</u>	<u>\$ 19,081,614</u>	<u>\$ 17,137,787</u>	<u>\$ 26,931,654</u>	<u>\$ 41,783,582</u>	<u>\$ 21,059,261</u>

Note: 2003 was the City's first year to prepare government-wide financial statements.

LAKE HAVASU CITY, ARIZONA
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Function/Program						
Governmental activities:						
General government	\$ 4,928,269	\$ 4,990,776	\$ 5,112,021	\$ 6,051,764	\$ 5,442,971	\$ 6,070,080
Public safety	442,252	254,668	475,607	416,702	1,467,555	667,438
Highways and streets	4,662,669	5,441,918	5,408,483	6,038,682	22,362,852	10,788,458
Culture and recreation	562,044	4,212,127	656,829	647,903	1,057,891	697,866
Transportation services	836,858	1,087,602	1,004,692	1,010,483	1,083,060	1,983,166
Interest on long-term debt	<u>66,728</u>	<u>41,746</u>	<u>80,978</u>	<u>-</u>	<u>16,040</u>	<u>29,091</u>
Subtotal governmental activities	<u>11,498,820</u>	<u>16,028,837</u>	<u>12,738,610</u>	<u>14,165,534</u>	<u>31,430,369</u>	<u>20,236,099</u>
Business-type activities:						
Refuse	744,172	847,270	917,215	967,991	1,064,929	1,269,783
Recreation/Aquatic Center	412,350	457,219	422,279	429,222	497,842	433,782
Irrigation and Drainage	10,670,135	12,435,438	13,253,505	14,230,160	12,752,737	11,591,238
Wastewater	5,962,794	7,651,686	10,519,987	12,107,493	17,636,027	22,055,956
Airport	<u>1,532,291</u>	<u>1,509,855</u>	<u>1,740,358</u>	<u>3,098,081</u>	<u>562,360</u>	<u>1,053,256</u>
Subtotal business-type activities	<u>19,321,742</u>	<u>22,901,468</u>	<u>26,853,344</u>	<u>30,832,947</u>	<u>32,513,895</u>	<u>36,404,015</u>
Total primary government	<u>\$ 30,820,562</u>	<u>\$ 38,930,305</u>	<u>\$ 39,591,954</u>	<u>\$ 44,998,481</u>	<u>\$ 63,944,264</u>	<u>\$ 56,640,114</u>

Note: 2003 was the City's first year to prepare government-wide statements.

LAKE HAVASU CITY, ARIZONA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 99,280	\$ 142,636	\$ 282,975	\$ 151,463	\$ 241,494	\$ 212,631	\$ 236,978	\$ 221,242	\$ 239,771	\$ 289,716
Unreserved	<u>16,829,142</u>	<u>21,734,351</u>	<u>23,496,889</u>	<u>23,597,461</u>	<u>17,013,903</u>	<u>16,517,487</u>	<u>16,177,818</u>	<u>19,382,601</u>	<u>20,937,049</u>	<u>15,770,483</u>
Total General Fund	<u>\$ 16,928,422</u>	<u>\$ 21,876,987</u>	<u>\$ 23,779,864</u>	<u>\$ 23,748,924</u>	<u>\$ 17,255,397</u>	<u>\$ 16,730,118</u>	<u>\$ 16,414,796</u>	<u>\$ 19,603,843</u>	<u>\$ 21,176,820</u>	<u>\$ 16,060,199</u>
All other governmental funds										
Reserved	\$ 111,834	\$ 116,720	\$ 120,341	\$ 105,021	\$ 1,461,901	\$ 1,165,554	\$ 1,031,329	\$ 866,633	\$ 777,537	\$ 260,745
Unreserved, reported in:										
Special revenue funds	2,900,220	3,162,693	3,302,936	2,468,180	1,551,618	458,524	1,410,111	2,016,653	2,639,975	1,337,693
Debt service funds	1,444,275	1,463,614	1,478,542	1,398,007	-	-	-	-	-	-
Capital projects funds	<u>1,395,319</u>	<u>715,323</u>	<u>712,782</u>	<u>952,809</u>	<u>2,246,238</u>	<u>4,252,007</u>	<u>4,576,046</u>	<u>7,312,618</u>	<u>6,883,115</u>	<u>5,904,066</u>
Total all other governmental funds	<u>\$ 5,851,648</u>	<u>\$ 5,458,350</u>	<u>\$ 5,614,601</u>	<u>\$ 4,924,017</u>	<u>\$ 5,259,757</u>	<u>\$ 5,876,085</u>	<u>\$ 7,017,486</u>	<u>\$ 10,195,904</u>	<u>\$ 10,300,627</u>	<u>\$ 7,502,504</u>

LAKE HAVASU CITY, ARIZONA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 14,048,767	\$ 15,333,491	\$ 16,198,380	\$ 18,263,634	\$ 20,669,273	\$ 22,452,872	\$ 24,284,788	\$ 27,243,475	\$ 26,745,506	\$ 25,069,101
Intergovernmental	13,287,499	15,535,182	15,521,374	16,656,120	16,189,913	20,201,471	17,581,248	19,487,017	25,771,964	28,683,671
Fines and forfeitures	577,375	796,845	845,309	897,570	1,054,494	1,209,200	1,159,289	1,373,678	1,501,738	1,491,271
Licenses and permits	1,456,782	1,661,498	2,237,623	2,620,165	2,943,803	3,054,053	3,063,436	3,925,346	2,913,384	1,961,920
Charges for services	703,665	1,140,131	888,252	1,016,466	1,040,759	1,079,752	1,055,558	1,131,132	970,168	836,573
Rents and royalties	5,400	7,000	31,451	23,483	23,485	17,170	28,875	28,006	22,958	27,732
Contributions and donations	35,501	14,700	14,418	28,805	19,537	12,695	21,680	15,034	11,921	6,910
Impact fees	-	-	-	-	-	-	-	-	185,562	10,674
Special assessments	-	-	217,207	28,803	119,374	124,514	181,027	155,733	106,040	124,318
Interest	1,070,757	1,357,146	1,568,684	848,109	(364,958)	404,262	500,624	910,746	960,145	801,582
Other	<u>655,892</u>	<u>226,417</u>	<u>143,051</u>	<u>993,743</u>	<u>349,564</u>	<u>112,007</u>	<u>108,490</u>	<u>124,865</u>	<u>246,128</u>	<u>418,251</u>
Total revenues	<u>31,841,638</u>	<u>36,072,410</u>	<u>37,665,749</u>	<u>41,376,898</u>	<u>42,045,244</u>	<u>48,667,996</u>	<u>47,985,015</u>	<u>54,395,032</u>	<u>59,435,514</u>	<u>59,432,003</u>
Expenditures										
General government	5,116,916	5,697,683	6,071,175	6,302,401	7,035,908	8,141,073	8,270,651	9,096,156	10,184,269	12,752,567
Public safety	9,056,997	9,864,505	10,360,617	12,128,366	12,725,332	14,283,381	16,727,791	18,909,689	22,896,305	24,966,721
Highways and streets	4,188,364	4,170,611	4,589,165	4,379,122	4,646,201	4,990,748	6,501,669	5,628,498	6,936,589	6,668,408
Culture and recreation	1,822,621	1,992,377	2,278,113	2,898,241	3,014,259	3,585,349	4,530,472	4,637,482	5,490,982	6,075,524
Health and welfare	141,936	146,139	146,139	138,832	-	-	-	-	-	-
Transportation services	777,818	886,450	947,886	1,190,852	1,414,090	1,950,290	1,666,808	1,775,815	1,865,392	2,951,865
Tourism and promotion	870,000	977,500	1,107,109	1,184,846	1,201,211	1,264,259	1,397,567	1,528,433	1,577,026	1,582,324
Capital outlay	5,251,704	7,711,427	9,781,342	8,474,142	2,399,915	7,582,000	6,737,122	2,838,789	5,935,886	11,727,752
Debt service										
Principal retirement	2,160,000	2,300,000	2,580,000	2,710,000	2,906,000	2,700,000	3,235,000	3,375,000	3,480,000	3,605,000
Interest on long-term debt	1,317,888	1,251,362	1,128,104	1,050,603	903,514	732,398	581,320	450,892	314,557	192,875
Other	<u>250,432</u>	<u>144,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>30,954,676</u>	<u>35,142,295</u>	<u>38,989,650</u>	<u>40,457,405</u>	<u>36,246,430</u>	<u>45,229,498</u>	<u>49,648,400</u>	<u>48,240,754</u>	<u>58,681,006</u>	<u>70,523,036</u>
Excess of revenues over (under) expenditures	<u>886,962</u>	<u>930,115</u>	<u>(1,323,901)</u>	<u>919,493</u>	<u>5,798,814</u>	<u>3,438,498</u>	<u>(1,663,385)</u>	<u>6,154,278</u>	<u>754,508</u>	<u>(11,091,033)</u>

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2006	2006	2007	2008
Other financing sources										
(uses)										
Transfers in	8,908,276	10,084,606	12,689,702	10,607,653	9,124,156	9,276,457	12,402,838	10,214,298	8,844,850	9,977,784
Transfers out	(6,068,245)	(6,505,984)	(10,385,351)	(12,159,037)	(21,107,300)	(12,713,275)	(12,815,973)	(11,935,960)	(11,504,405)	(9,416,495)
Issuance of debt	<u>146,665</u>	<u>-</u>	<u>922,471</u>	<u>60,781</u>	<u>13,134</u>	<u>89,369</u>	<u>2,902,599</u>	<u>1,934,849</u>	<u>3,582,747</u>	<u>2,615,000</u>
Total other financing sources (uses)	<u>2,986,696</u>	<u>3,578,622</u>	<u>3,226,822</u>	<u>(1,490,603)</u>	<u>(11,970,010)</u>	<u>(3,347,449)</u>	<u>2,489,464</u>	<u>213,187</u>	<u>923,192</u>	<u>3,176,289</u>
Net change in fund balance	\$ <u>3,873,658</u>	\$ <u>4,508,737</u>	\$ <u>1,902,921</u>	\$ <u>(571,110)</u>	\$ <u>(6,171,196)</u>	\$ <u>91,049</u>	\$ <u>826,079</u>	\$ <u>6,367,465</u>	\$ <u>1,677,700</u>	\$ <u>(7,914,744)</u>
Debt service as a percentage of noncapital expenditures	14.5 %	13.5 %	12.7 %	11.8 %	11.3 %	9.1 %	8.9 %	8.4 %	7.2 %	7.1 %

Note: Proceeds from sale of capital assets are classified as miscellaneous revenues and are included in the Other revenue total.

LAKE HAVASU CITY, ARIZONA
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

<u>Fiscal Year</u>	<u>Sales taxes</u>	<u>Property taxes</u>	<u>Franchise taxes</u>	<u>Transient Occupancy Tax</u>	<u>Bar and Restaurant Tax</u>	<u>Total</u>
1999	\$ 10,133,498	\$ 2,749,295	\$ 246,743	\$ 453,368	\$ 465,863	\$ 14,048,767
2000	11,448,582	2,599,515	245,079	513,093	527,222	15,333,491
2001	12,258,299	2,556,264	272,960	531,633	579,224	16,198,380
2002	14,069,249	2,782,023	261,488	549,781	601,093	18,263,634
2003	16,240,531	2,989,642	224,516	575,556	639,028	20,669,273
2004	17,767,870	3,139,184	258,528	634,257	653,033	22,452,872
2005	19,112,838	3,471,670	254,675	656,110	789,495	24,284,788
2006	21,337,895	4,135,869	227,038	699,405	843,268	27,243,475
2007	19,945,157	4,446,114	746,815	751,122	856,298	26,745,506
2008	17,305,120	4,510,088	1,733,704	645,782	874,407	25,069,101
Change, 1999-2008	70.8 %	64.0 %	602.6 %	42.4 %	87.7 %	78.4 %

LAKE HAVASU CITY, ARIZONA
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS

Sales Category	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Mining	\$ 11,250	\$ -	\$ 10,000	\$ -	\$ 39,000	\$ -	\$ 621,000	\$ 2,649,142	\$ 1,637,109	\$ 2,238,146
Communications & Utilities	N/A	N/A	N/A	N/A	N/A	N/A	89,352,250	107,586,616	85,848,353	43,192,822
Transportation & Warehousing	N/A	N/A	N/A	N/A	N/A	N/A	828,450	1,297,067	1,719,521	1,370,195
Construction	70,738,800	92,929,550	105,551,550	129,160,550	163,485,100	189,835,700	187,626,750	210,074,556	203,114,606	174,759,818
Manufacturing	3,024,200	3,580,850	4,796,900	5,662,700	8,502,250	16,662,850	38,247,150	40,484,661	38,529,152	32,292,739
Wholesale Trade	16,760,500	18,601,300	20,284,800	19,769,900	25,142,200	15,321,750	11,458,300	16,112,220	16,468,758	18,348,808
Retail Trade	240,291,500	271,319,900	301,723,800	336,565,500	380,034,700	398,373,800	425,905,350	472,769,867	461,287,506	416,971,743
Finance & Insurance	N/A	N/A	N/A	N/A	N/A	N/A	2,022,000	857,392	1,967,267	2,213,297
Real Estate, Rental & Leasing	N/A	N/A	N/A	N/A	N/A	N/A	20,303,900	22,929,529	19,808,226	21,511,506
Restaurant & Bars	59,481,600	64,253,550	70,230,600	76,413,050	80,836,700	81,840,100	99,646,950	107,735,614	109,166,457	66,018,944
Hotels & Other Lodging	18,619,800	19,521,800	19,007,600	18,494,200	19,050,950	20,793,450	22,242,450	23,807,000	24,080,294	26,786,943
Public Administration	N/A	N/A	N/A	N/A	N/A	N/A	70,450	308,237	146,659	310,450
Services	44,083,350	50,235,350	53,397,350	62,747,100	58,695,300	48,760,150	33,456,850	34,582,787	35,897,971	32,340,521
Arts & Entertainment	N/A	N/A	N/A	N/A	N/A	N/A	14,211,950	15,291,189	15,650,494	12,128,912
All Others	11,702,850	9,607,650	8,631,900	10,069,550	17,056,350	62,271,700	28,840,450	30,838,124	27,361,014	18,575,934
Transportation, Communications & Utilities	55,208,950	58,275,050	57,308,700	73,837,300	70,415,050	78,915,700	N/A	N/A	N/A	N/A
Fire, Insurance & Real Estate	6,209,750	2,907,550	1,828,650	2,625,500	5,404,600	6,315,800	N/A	N/A	N/A	N/A
Total	\$ 526,132,550	\$ 591,232,550	\$ 642,771,850	\$ 735,345,350	\$ 828,662,200	\$ 919,091,000	\$ 974,834,250	\$ 1,087,324,001	\$ 1,042,683,387	\$ 869,060,778
City sales tax rate	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %

Source: Arizona Department of Revenue.

Note: Beginning with reporting for fiscal year 2005, Arizona Department of Revenue implemented a new reporting format for industry classification codes. As such, comparisons of industry classifications for fiscal year 2005 and forward may not be comparable to fiscal year 2004 and prior.

LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
RATES AS OF JUNE 30

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>City Restaurant and Bar Tax</u>	<u>City Transient Occupancy Tax</u>	<u>(1) Mohave County</u>	<u>(1) State of Arizona</u>
1999	2.00 %	1.00 %	3.00 %	- %	5.00 %
2000	2.00	1.00	3.00	-	5.00
2001	2.00	1.00	3.00	0.25	5.60
2002	2.00	1.00	3.00	0.25	5.60
2003	2.00	1.00	3.00	0.25	5.60
2004	2.00	1.00	3.00	0.25	5.60
2005	2.00	1.00	3.00	0.25	5.60
2006	2.00	1.00	3.00	0.25	5.60
2007	2.00	1.00	3.00	0.25	5.60
2008	2.00	1.00	3.00	0.25	5.60

(1) For most Business Classifications. Shown here is the retail rate.

Source: Arizona Department of Revenue.

LAKE HAVASU CITY, ARIZONA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year		Real Property		Personal Property		Total			Ratio of Total Assessed Value to Total Estimated Actual Value
		Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value	Direct Tax Rate	
1999	P					\$ 283,108,555	\$ 2,281,502,541	0.8838	12.41 %
	S					287,037,669	2,237,922,059	6.1455	plus \$ 193.46/acre
2000	P					286,277,256	2,287,934,835	0.8740	12.51
	S					294,554,890	2,322,004,634	5.9121	plus \$151.13/acre
2001	P	\$ 285,231,433	\$ 2,333,010,196	\$ 11,816,518	\$ 60,137,976	297,047,951	2,393,148,172	0.8423	12.41
	S	291,734,022	2,361,941,827	11,816,518	60,137,976	303,550,540	2,422,079,803	5.7757	plus \$102.17 per acre
2002	P	312,993,501	2,553,024,864	9,358,258	50,637,799	322,351,759	2,603,662,663	0.8413	12.38
	S	309,818,437	2,582,613,239	9,358,258	50,637,799	319,176,695	2,633,251,038	5.7504	plus \$101.55 per acre
2003	P	325,840,542	2,848,610,186	10,778,445	56,227,733	336,618,987	2,904,837,919	0.8413	11.59
	S	332,033,998	2,888,473,152	10,778,445	56,227,733	342,812,443	2,944,700,885	5.2960	plus \$ 101.11 per acre
2004	P	360,067,071	3,222,522,010	11,291,589	59,052,690	371,358,660	3,281,574,700	0.7958	11.32
	S	367,828,704	3,495,046,718	11,291,589	59,052,690	379,120,293	3,554,099,408	5.7189	plus \$ 100.77 per acre
2005	P	404,042,223	3,766,661,010	11,251,148	58,514,070	415,293,371	3,825,175,080	0.7958	10.86
	S	439,586,745	4,592,640,988	11,251,148	58,514,070	450,837,893	4,651,155,058	5.3347	plus \$ 100.74 per acre
2006	P	469,199,441	4,501,675,755	12,485,845	63,701,806	481,685,286	4,565,377,561	0.7958	10.55
	S	572,701,653	6,001,328,492	12,485,845	63,701,806	585,187,498	6,065,030,298	3.8893	plus \$ 100.74 per acre
2007	P	554,952,080	4,489,089,206	15,071,124	72,940,245	570,023,204	4,562,029,451	0.7310	12.49
	S	735,930,709	5,989,310,731	15,071,124	72,940,245	751,001,833	6,062,250,976	3.9896	plus \$ 100.74 per acre
2008	P	658,147,759	5,340,068,133	11,375,884	57,452,096	669,523,643	5,397,520,229	0.6704	12.40
	S	918,338,959	7,419,032,491	11,375,884	57,452,096	929,714,843	7,476,484,587	1.0676	plus \$ 100.74 per acre

Note: Real and Personal Property tax breakdowns are not available from Mohave County for the year 1999-2000.

LAKE HAVASU CITY, ARIZONA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year		City Direct Rate			Special Districts							Overlapping Rates			Rate Total	
		Operating Rate	Debt Service Rate	Total City Rate	Irrigation Drainage District	Sanitary District	Improvement District #1	Improvement District #2	Improvement District #3	Improvement District #4	Improvement District #5	Total County Rate	Total School Rate	Total State Rate		
1999	P	0.8838	-	0.8838	-	-	-	-	-	-	-	2.6289	4.0777	0.5300	8.1204	
	S	-	-	-	\$193.46/acre	1.6920	0.5566	2.2731	0.8392	0.5659	0.2187	0.9603	1.3754	-	8.4812	plus \$193.46/acre
2000	P	0.8740	-	0.8740	-	-	-	-	-	-	-	2.6666	4.6398	0.5217	8.7021	
	S	-	-	-	\$151.13/acre	1.4841	0.4081	2.1832	1.1256	0.4807	0.2304	0.9853	1.4338	-	8.3312	plus \$151.13/acre
2001	P	0.8423	-	0.8423	-	-	-	-	-	-	-	2.6917	3.8359	0.5165	7.8864	
	S	-	-	-	\$102.17/acre	1.3400	0.1986	2.0365	1.7088	0.2595	0.2323	0.9853	1.1386	-	7.8996	plus \$102.17/acre
2002	P	0.8413	-	0.8413	-	-	-	-	-	-	-	2.6898	4.1564	0.4974	8.1849	
	S	-	-	-	\$101.55/acre	1.2480	0.4520	2.1628	1.5816	0.3060	-	1.0103	1.5060	-	8.2667	plus \$101.55/acre
2003	P	0.8413	-	0.8413	-	-	-	-	-	-	-	2.6898	4.3377	0.4889	8.3577	
	S	-	-	-	\$101.11/acre	-	0.5538	1.4600	3.1579	0.1243	-	1.0103	1.0535	-	7.3598	plus \$101.11/acre
2004	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6973	5.2253	0.4717	9.1901	
	S	-	-	-	\$100.77/acre	-	0.4998	1.4001	3.4221	0.3969	-	1.0103	1.3034	-	8.0326	plus \$100.77/acre
2005	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6983	4.3420	0.4560	8.2921	
	S	-	-	-	\$100.74/acre	-	0.5491	1.2822	3.0983	0.4051	-	1.0103	0.9646	-	7.3096	plus \$100.74/acre
2006	P	0.7958	-	0.7958	-	-	-	-	-	-	-	2.6904	3.4288	0.4358	7.3508	
	S	-	-	-	\$100.74/acre	-	0.4595	1.0855	1.9907	0.3536	-	1.0103	1.2740	-	6.1736	plus \$100.74/acre
2007	P	0.7310	-	0.7310	-	-	-	-	-	-	-	2.5759	3.3079	-	6.6148	
	S	-	-	-	\$100.74/acre	-	0.5360	1.1091	1.9907	0.3538	-	1.0103	0.8625	-	5.8624	plus \$100.74/acre
2008	P	0.6704	-	0.6704	-	-	-	-	-	-	-	2.3519	3.0141	-	6.0364	
	S	-	-	-	\$100.74/acre	-	0.3216	0.4672	-	0.2788	-	1.0103	0.8567	-	2.9346	plus \$100.74/acre

LAKE HAVASU CITY, ARIZONA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2008
CURRENT AND NINE YEARS AGO

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unisource Energy Corporation	\$ 8,999,558	1	0.97 %	\$ -	-	- %
PHC Lake Havasu Inc.	8,796,223	2	0.95	3,301,194	3	1.15
Citizens Utilities	5,002,196	3	0.54	11,951,690	1	4.16
Sterilite Corporation	2,715,208	4	0.29	2,265,849	4	0.79
London Bridge Resort	2,311,242	5	0.25	3,674,287	2	1.28
Lowes HIW, Inc.	1,897,295	6	0.20	-	-	-
Grace Investments Co.	1,850,290	7	0.20	-	-	-
Havasu Regional Medical Center LLC	1,674,458	8	0.18	-	-	-
Havasu Investors of Duluth	1,665,224	9	0.18	-	-	-
Lake Havasu City Hotel Partners LLC	1,639,205	10	0.18	-	-	-
MCO Properties	-	-	-	1,544,898	5	0.54
Smith's Food and Drug	-	-	-	1,205,426	6	0.42
Havasu Plaza (K-Mart)	-	-	-	1,128,384	7	0.39
McCulloch Corporation	-	-	-	1,123,344	8	0.39
Bree, Trustees	-	-	-	944,053	9	0.33
Walmart Properties	-	-	-	925,034	10	0.32
Totals	<u>\$ 36,550,899</u>		<u>3.93 %</u>	<u>\$ 28,064,159</u>		<u>9.78 %</u>

LAKE HAVASU CITY, ARIZONA
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	\$ 2,513,407	\$ 2,432,828	96.79 %	\$ 80,558	\$ 2,513,386	100.00 %
2000	2,507,214	2,395,112	95.53	101,719	2,496,831	99.59
2001	2,495,787	2,388,203	95.69	98,072	2,486,275	99.62
2002	2,612,578	2,516,381	96.32	96,010	2,612,391	99.99
2003	2,828,536	2,705,073	95.64	123,042	2,828,115	99.99
2004	2,947,808	2,889,381	98.02	58,288	2,947,669	100.00
2005	3,311,006	3,183,551	96.15	127,102	3,310,653	99.99
2006	3,836,201	3,750,741	97.77	85,293	3,836,034	100.00
2007	4,152,922	4,031,318	97.07	121,213	4,152,531	99.99
2008	4,508,427	4,302,624	95.44	-	4,302,624	95.44

(1) Mohave County is responsible for assessing and collecting property taxes.

LAKE HAVASU CITY, ARIZONA
IRRIGATION AND DRAINAGE DISTRICT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	\$ 3,957,440	\$ 3,542,497	89.51 %	\$ 414,943	\$ 3,957,440	100.00 %
2000	3,094,739	2,912,870	94.12	181,869	3,094,739	100.00
2001	2,091,204	1,963,683	93.90	127,519	2,091,202	100.00
2002	2,076,365	1,994,409	96.05	81,906	2,076,315	100.00
2003	2,075,813	2,004,113	96.55	71,700	2,075,813	100.00
2004	2,060,775	2,012,055	97.64	48,720	2,060,775	100.00
2005	2,059,030	1,966,752	95.52	92,278	2,059,030	100.00
2006	2,062,197	2,009,295	97.43	52,852	2,062,147	100.00
2007	2,103,046	2,027,101	96.39	75,567	2,102,668	99.98
2008	2,122,847	1,993,102	93.89	-	1,993,102	93.89

(1) Lake Havasu Irrigation and Drainage District was organized on September 30, 1963. The District was to be dissolved in fiscal year 2004 upon the retirement of all outstanding obligations of the District. However, on February 1, 1993, \$4,120,000 in general obligation refunding bonds were issued. The District will be dissolved in fiscal year 2022 upon the retirement of all outstanding obligations of the District.

(2) Mohave County is responsible for assessing and collecting property taxes.

LAKE HAVASU CITY, ARIZONA
SANITARY DISTRICT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

Fiscal Year	Collected Within the Fiscal Year of the Levy			Total Collections to Date		
	Total Adjusted Levy	Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	\$ 1,880,934	\$ 1,673,818	88.99 %	\$ 202,713	\$ 1,876,531	99.77 %
2000	1,770,268	1,660,289	93.79	109,614	1,769,903	99.98
2001	1,635,835	1,553,091	94.94	68,044	1,621,135	99.10
2002	1,586,241	1,513,807	95.43	60,260	1,574,067	99.23
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-

- (1) Lake Havasu Sanitary District was formed on October 28, 1964. The District was to be dissolved in fiscal year 1996 upon the retirement of all outstanding obligations of the District. However, on May 23, 1990, \$160,000 in general obligation refunding bonds were issued. The outstanding general obligation bonds of the District were retired in fiscal year 2003. The District was officially dissolved September 26, 2006.
- (2) Mohave County is responsible for assessing and collecting property taxes.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 1 - SPECIAL ASSESSMENT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	\$ 65,908	\$ 63,964	97.05 %	\$ 1,944	\$ 65,908	100.00 %
2000	49,929	47,631	95.40	2,298	49,929	100.00
2001	25,010	24,217	96.83	787	25,004	99.98
2002	59,922	58,429	97.51	1,493	59,922	100.00
2003	79,997	77,612	97.02	2,385	79,997	100.00
2004	80,167	78,949	98.48	1,218	80,167	100.00
2005	102,919	99,899	97.07	3,020	102,919	100.00
2006	102,661	100,719	98.11	1,942	102,661	100.00
2007	149,059	145,447	97.58	3,612	149,059	100.00
2008	109,984	105,526	95.95	-	105,526	95.95

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 1 operates the gas lights in the golf course area tracts.
- (2) Mohave County is responsible for assessing and collecting property taxes.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 2 - SPECIAL ASSESSMENT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

Fiscal Year	Collected Within the Fiscal Year of the Levy				Total Collections to Date		
	Total Adjusted Levy	Amount	Percent of Adjusted Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	
1999	\$ 35,431	\$ 31,818	89.80 %	\$ 3,613	\$ 35,431	100.00 %	
2000	35,431	31,190	88.03	4,241	35,431	100.00	
2001	33,938	32,177	94.81	1,761	33,938	100.00	
2002	34,917	34,362	98.41	555	34,917	100.00	
2003	23,466	22,474	95.77	992	23,466	100.00	
2004	23,455	22,888	97.58	567	23,455	100.00	
2005	22,997	20,448	88.92	2,549	22,997	100.00	
2006	22,993	20,939	91.07	2,054	22,993	100.00	
2007	36,939	33,293	90.13	3,646	36,939	100.00	
2008	18,035	16,472	91.33	-	16,472	91.33	

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 2 maintains and operates the parking lot, utilities, landscaping and related capital improvements in the London Bridge Shopping Center.
- (2) Mohave County is responsible for assessing and collecting property taxes.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 3 - SPECIAL ASSESSMENT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	\$ 6,003	\$ 4,660	77.63 %	\$ 1,343	\$ 6,003	100.00 %
2000	8,135	7,678	94.38	457	8,135	100.00
2001	9,957	9,646	96.88	238	9,884	99.27
2002	10,389	10,056	96.79	314	10,370	99.82
2003	21,130	20,881	98.82	249	21,130	100.00
2004	23,469	23,035	98.15	434	23,469	100.00
2005	22,172	20,749	93.58	1,423	22,172	100.00
2006	23,455	22,771	97.08	684	23,455	100.00
2007	27,935	26,511	94.90	1,424	27,935	100.00
2008	-	-	-	-	-	-

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 3 is for the purpose of maintaining and operating the gas lights and landscape strips in the Lakeview Mobil Home Park. This improvement District was dissolved on January 8, 2008.
- (2) Mohave County is responsible for assessing and collecting property taxes.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 4 - SPECIAL ASSESSMENT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	\$ 60,666	\$ 58,725	96.80 %	\$ 1,941	\$ 60,666	100.00 %
2000	53,492	50,000	93.47	3,456	53,456	99.93
2001	30,766	30,148	97.99	618	30,766	100.00
2002	38,683	37,414	96.72	1,269	38,683	100.00
2003	17,252	15,433	89.46	1,818	17,251	99.99
2004	60,780	59,605	98.07	1,165	60,770	99.98
2005	61,523	59,981	97.49	1,526	61,507	99.97
2006	61,716	61,420	99.52	296	61,716	100.00
2007	64,323	63,878	99.31	445	64,323	100.00
2008	55,297	53,644	97.01	-	53,644	97.01

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 4 maintains the gas lights on Civic Center Boulevard and median landscaping on McCulloch Boulevard from Smoketree to Lake Havasu Avenue.
- (2) Mohave County is responsible for assessing and collecting property taxes.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 5 - SPECIAL ASSESSMENT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

Fiscal Year	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Adjusted Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1999	\$ 2,996	\$ 2,793	93.22 %	\$ 203	\$ 2,996	100.00 %
2000	3,267	2,774	84.91	493	3,267	100.00
2001	3,400	3,190	93.82	210	3,400	100.00
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 5 is for the purpose of maintaining gas lights between Smoketree Avenue and Wings Loop on McCulloch Boulevard. This Improvement District was dissolved on June 30, 2001.
- (2) Mohave County is responsible for assessing and collecting property taxes.

LAKE HAVASU CITY, ARIZONA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Special Assessment Bonds	Revenue Bonds	Capital Leases	Sewer Bonds	General Obligation Bonds	Capital Leases			
1999	\$ -	\$ 26,560,000	\$ 125,978	\$ -	\$ 1,156,000	\$ 5,623,048	\$ 33,465,026	4.63 %	\$ 844
2000	-	24,125,000	98,099	-	830,000	4,822,384	29,875,483	3.98	728
2001	891,000	21,545,000	67,939	-	680,000	3,971,657	27,155,596	3.21	648
2002	891,000	18,835,000	86,326	-	535,000	3,070,490	23,417,816	2.50	530
2003	850,000	15,970,000	49,408	8,549,414	235,000	9,151	25,662,973	2.64	553
2004	775,000	13,345,000	113,006	32,142,869	215,000	14,907	46,605,782	4.48	952
2005	695,000	10,190,000	2,518,386	60,854,991	195,000	595,203	75,048,580	6.81	1,452
2006	610,000	6,900,000	3,768,074	140,285,461 (1)	175,000	1,286,112	153,024,647	13.62	2,864
2007	520,000	3,510,000	6,032,598	171,170,388 (1)	155,000	1,995,812	183,383,798	15.70	3,358
2008	425,000	2,615,000	4,485,455	220,298,612 (1)	145,000	1,669,632	229,638,699	19.23	4,155

(1) Net of related premium

Note: Balances reflect reduction for principal payment made on July 1, 2008.

LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2008

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping Debt			
Lake Havasu Unified School District No. 1	\$ 27,540,000	95.10 %	\$ <u>26,190,540</u>
Subtotal, overlapping debt			<u>26,190,540</u>
City Direct Debt			
Lake Havasu Irrigation and Drainage District	145,000	100.00 %	145,000
Lake Havasu City Freedom Bridge Land Acquisition	2,615,000	100.00 %	2,615,000
Lake Havasu City McCulloch Boulevard Streetscape Improvement District No. 7 Improvement Bonds	425,000	100.00 %	425,000
Wastewater System Expansion (net of related premium)	220,298,612	100.00 %	<u>220,298,612</u>
Lake Havasu City, Arizona direct debt			<u>223,483,612</u>
Total direct and overlapping debt			<u>\$ 249,674,152</u>

- (1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Lake Havasu City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Note: Balances reflect reduction for principal payments made on July 1, 2008.

LAKE HAVASU CITY, ARIZONA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
20% Limitation (1)										
Debt limit	\$ 57,407,534	\$ 58,910,978	\$ 60,710,108	\$ 68,835,339	\$ 68,562,489	\$ 75,824,059	\$ 90,167,579	\$ 117,037,500	\$ 150,200,367	\$ 185,942,969
Total net debt applicable to 20% limit (restated to account for amount set aside for repayment of debt)	<u>805,000</u>	<u>655,000</u>	<u>510,000</u>	<u>370,000</u>	<u>8,742,500</u>	<u>8,722,500</u>	<u>40,634,726</u>	<u>94,688,680</u>	<u>141,365,953</u>	<u>140,113,909</u>
Legal debt margin (available borrowing capacity)	<u>\$ 56,602,534</u>	<u>\$ 58,255,978</u>	<u>\$ 60,200,108</u>	<u>\$ 68,465,339</u>	<u>\$ 59,819,989</u>	<u>\$ 67,101,559</u>	<u>\$ 49,532,853</u>	<u>\$ 22,348,820</u>	<u>\$ 8,834,414</u>	<u>\$ 45,829,060</u>
Total net debt applicable to the limit as a percentage of the debt limit	1.40 %	1.11 %	0.84 %	0.54 %	12.75 %	11.50 %	45.07 %	80.90 %	94.12 %	75.35 %
6% Limitation (2)										
Debt limit	\$ 17,222,260	\$ 17,673,293	\$ 18,213,032	\$ 19,150,602	\$ 20,568,747	\$ 22,747,218	\$ 27,050,274	\$ 35,111,250	\$ 45,060,110	\$ 55,782,891
Total net debt applicable to 6% limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin (available borrowing capacity)	<u>\$ 17,222,260</u>	<u>\$ 17,673,293</u>	<u>\$ 18,213,032</u>	<u>\$ 19,150,602</u>	<u>\$ 20,568,747</u>	<u>\$ 22,747,218</u>	<u>\$ 27,050,274</u>	<u>\$ 35,111,250</u>	<u>\$ 45,060,110</u>	<u>\$ 55,782,891</u>
Total net debt applicable to the limit as a percentage of the debt limit	-	-	-	-	-	-	-	-	-	-

(1) Additional bonds amounting to 20% of the assessed valuation of taxable property can be issued for supplying such services as water, artificial light, or sewers, when the works for supplying such water, light, or sewers are or shall be owned and controlled by the municipality, and for the acquisition and development by the incorporated city or town of land or interest therein for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency service facilities and streets and transportation facilities.

(2) The Arizona Constitution states that for general municipal purposes a municipality cannot incur a debt exceeding 6% of the assessed valuation of taxable property.

LAKE HAVASU CITY, ARIZONA
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2008

Net secondary assessed valuation (1) \$ 929,714,843

Water, Sewer, Light, Parks, Open Space Preserves, Playgrounds,
Recreational Facilities, Public Safety, Law Enforcement, Fire and
Emergency Facilities, and Streets and Transportation Facilities

Debt limit - 20% of secondary net assessed valuation \$ 185,942,969

Debt applicable to limit

General obligation bonds outstanding \$143,001,885
Less amount set aside for repayment of debt (2,887,976)

Net debt applicable to limit 140,113,909

20% legal debt margin 45,829,060

All other general obligation bonds

Debt limit - 6% of secondary net assessed valuation 55,782,891

Debt applicable to limit

General obligation bonds outstanding \$ -
Less amount set aside for repayment of debt -

Net debt applicable to limit -

All other general obligation bonds debt margin 55,782,891

Total legal debt margin \$ 101,611,951

(1) Mohave County Assessor's Office.

LAKE HAVASU CITY, ARIZONA
PLEDGED-REVENUE COVERAGE
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Fiscal Year	Municipal Property Corporation Bonds (1)				Excise Tax Revenue Bonds (1)				Special Assessment Bonds			
	Excise Tax (2)	Debt Service Principal	Debt Service Interest	Coverage	Excise Tax (2)	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
1999	\$ 19,609,503	\$ 2,160,000	\$ 717,796	6.81	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
2000	22,159,552	2,300,000	635,481	7.55	22,159,552	-	570,270	38.86	-	-	-	-
2001	24,066,806	2,400,000	547,081	8.17	24,066,806	35,000	569,045	39.84	217,207	-	-	-
2002	26,343,805	2,525,000	419,881	8.95	26,343,805	185,000	562,565	35.24	28,803	-	65,469	0.44
2003	29,196,801	2,675,000	283,531	9.87	29,196,801	190,000	555,720	39.15	119,374	41,000	61,613	1.16
2004	30,628,188	2,425,000	136,406	11.96	30,628,188	200,000	548,500	40.92	124,514	75,000	41,641	1.07
2005	-	-	-	-	32,521,575	3,155,000	540,700	8.80	181,027	80,000	37,669	1.54
2006	-	-	-	-	36,991,755	3,290,000	414,500	9.99	155,733	85,000	33,441	1.31
2007	-	-	-	-	37,021,321	3,390,000	282,900	10.08	106,040	90,000	28,956	0.89
2008	-	-	-	-	34,612,756	3,510,000	143,910	9.47	124,319	95,000	24,216	1.04

(1) Includes debt service payments paid out of revenue from IDD (Water) and Airport.

(2) Excise Tax revenues are pledged for both Municipal Property Corporation Bonds and Excise Tax Bonds.

LAKE HAVASU CITY, ARIZONA
PLEDGED-REVENUE COVERAGE
ENTERPRISE FUNDS
LAST TEN FISCAL YEARS

Fiscal Year	Sewer Revenue Bond						Water Revenue Bonds					
	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	(1) Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
1999	\$ 3,266,634	\$ 2,232,523	\$ 1,034,111	\$ 760,000	\$ 399,348	0.89	\$ 6,956,875	\$ 4,377,879	\$ 2,578,996	\$ 385,000	\$ 67,093	5.70
2000	3,536,631	2,615,958	920,673	800,000	364,173	0.79	7,946,050	5,278,065	2,667,985	326,000	50,130	7.09
2001	3,625,269	2,850,383	774,886	850,000	314,218	0.67	9,114,145	5,141,504	3,972,641	150,000	41,130	20.79
2002	3,297,596	3,198,068	99,528	905,000	260,318	0.09	9,011,458	6,004,762	3,006,696	145,000	32,285	16.96
2003	5,575,694	3,253,324	2,322,370	3,090,000	102,096	0.73	9,454,625	6,002,888	3,451,737	140,000	23,605	21.10
2004	7,837,338	4,182,008	3,655,330	-	411,938	8.87	11,247,609	6,413,094	4,834,515	135,000	15,100	32.21
2005	10,965,873	3,674,565	7,291,308	5,765,000	993,746	1.08	12,044,926	7,719,678	4,325,248	20,000	13,800	127.97
2006	15,055,202	4,323,846	10,731,356	715,547	4,431,556	2.08	12,594,163	8,257,603	4,336,560	20,000	12,500	133.43
2007	20,593,753	4,028,938	16,564,815	5,722,568	5,243,928	1.51	12,876,316	8,597,673	4,278,643	20,000	11,200	137.14
2008	23,703,017	6,955,929	16,747,088	7,540,749	6,309,330	1.21	11,841,750	10,025,454	1,816,296	20,000	61,578	22.26

(1) Includes investment income.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Bond covenants may include other revenue for purposes of debt service coverage.

LAKE HAVASU CITY, ARIZONA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
1999	39,655	\$ 722,712,000	\$ 18,225	47.0	5,646	2.5 %
2000	41,045	750,303,000	18,280	47.1	5,615	3.3
2001	41,938	847,106,000	20,199	47.5	5,841	3.2
2002	44,200	935,449,000	21,164	47.5	5,889	4.3
2003	46,400	972,219,000	20,953	48.0	6,345	3.7
2004	48,945	1,039,543,000	21,239	48.5	6,545	3.2
2005	51,700	1,102,037,000	21,316	48.3	6,549	2.8
2006	53,435	1,123,471,000	21,025	48.3	6,453	3.1
2007	54,610	1,168,053,000	21,389	47.9	6,463	3.1
2008	55,263	1,194,068,000	21,607	48.0	6,227	3.9

(1) Fiscal year 2001 from the U.S. Census.
All other years from the Arizona Economic Estimates Commission.

(2) Lake Havasu Partnership for Economic Development.

(3) Lake Havasu City Partnership for Economic Development.

(4) Lake Havasu City School District.

(5) Arizona Department of Economic Security's Workforce Informer.

LAKE HAVASU CITY, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2008
CURRENT YEAR

Employer	2008		
	Employees	Rank	Percentage of Total Town Employment (1)
Lake Havasu City	765	1	3.03 %
Lake Havasu School District	663	2	2.63
Havasu Regional Medical Center	583	3	2.31
Sterilite Corporation	402	4	1.59
Wal-Mart	380	5	1.51
London Bridge Resort	237	6	0.94
Bashas' (3 locations)	200	7	0.79
Shugrue's Restaurants	180	8	0.71
Mission of Nevada, Inc.	160	9	0.63
Coach-Net	150	10	0.59
JC Penney	<u>150</u>	10	<u>0.59</u>
	<u>3,870</u>		<u>15.32 %</u>

Total employees of Lake Havasu City = 25,247 (1)

Note: 1999 principal employers data not available.

(1) Arizona Workforce Informer.

Source: Lake Havasu Partnership for Economic Development.

LAKE HAVASU CITY, ARIZONA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Authorized Positions as of Fiscal Year Ended									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	57.00	60.00	61.00	64.00	65.00	65.00	72.00	77.00	81.00	83.00
Community development	16.00	20.00	23.00	24.00	26.00	26.00	26.00	30.00	29.00	29.00
Public safety										
Police	84.00	91.00	96.00	101.00	101.00	101.00	105.00	108.00	123.00	127.00
Fire	58.00	60.00	60.00	70.00	70.00	71.00	75.00	80.00	95.00	95.00
Public Works										
Administration/Engineering	18.00	18.00	19.00	18.00	19.00	19.00	22.00	22.00	22.00	26.00
Airport	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Transportation	12.00	15.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Highways and streets	28.00	28.00	28.00	31.00	31.00	32.00	32.00	32.00	32.00	32.00
Vehicle maintenance	9.00	10.00	10.00	10.00	10.00	11.00	11.00	12.00	12.00	12.00
Wastewater	16.00	16.00	17.00	19.00	19.00	18.00	20.00	21.50	25.50	25.50
Water	30.00	31.00	32.00	33.00	33.00	40.00	41.00	41.50	42.50	40.50
Culture and recreation	<u>32.00</u>	<u>34.00</u>	<u>37.00</u>	<u>39.00</u>	<u>39.00</u>	<u>39.00</u>	<u>41.00</u>	<u>41.00</u>	<u>44.00</u>	<u>45.00</u>
Total	<u>364.00</u>	<u>387.00</u>	<u>406.00</u>	<u>432.00</u>	<u>436.00</u>	<u>446.00</u>	<u>469.00</u>	<u>489.00</u>	<u>530.00</u>	<u>539.00</u>

Source: Lake Havasu City's Budget Division.

LAKE HAVASU CITY, ARIZONA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Number of sworn officers	62	67	75	75	75	79	83	95	96	96
Number of incidents handled	45,252	49,123	50,133	52,793	57,969	58,552	60,610	60,440	59,951	76,759
Number of report numbers issued	6,237	6,601	11,012	8,527	8,495	9,394	9,893	10,316	9,612	8,740
Response time, priority 1 calls (minutes)	6:40	6:05	6:18	5:51	6:17	6:04	6:10	6:10	5:54	5:26
Fire										
Number of field suppression personnel	42	42	42	54	55	55	58	60	72	78
Number of structural fires	49	51	48	82	55	65	62	68	43	53
Number of emergency responses	4,122	3,446	4,622	5,124	5,276	5,603	5,719	6,234	6,113	6,457
Response time (minutes)	7:12	7:01	6:19	6:23	5:24	5:20	5:25	5:16	5:14	5:34
Inspections	n/a	2,781	3,206	3,432	3,999	4,041	4,452	4,224	4,496	4,924
Highways and Streets										
Street resurfacing (miles)	85.00	45.00	53.00	51.00	37.00	32.00	27.00	23.00	51.50	31.50
Utility patches	n/a	n/a	693	778	843	777	731	699	645	494
Skin patches	n/a	n/a	357	308	240	280	511	526	187	270
Crackfilling (miles)	n/a	n/a	49.85	46.10	32.42	40.12	18.43	41.05	30.00	35.50
Wastewater										
Connections	2,581	2,602	2,628	2,757	3,450	4,891	7,394	8,991	11,983	16,112
Average daily flowage (mg)	1.58	1.40	1.69	1.60	1.74	2.12	1.99	2.33	2.50	3.08
Municipal Parks										
Park uses	1,354	1,425	1,446	1,826	2,308	2,575	3,055	3,849	3,025	3,969
Water										
Miles of line	483	488	488	492	494	496	498	500	500	500
New connections	1,594	1,145	1,134	911	946	1,435	1,255	889	308	388
Main breaks	49	83	51	54	56	64	47	49	47	52
Service line leaks	403	454	546	801	874	925	798	915	723	612
Average daily consumption (gallons) per capita	n/a	273	277	283	268	259	246	240	230	250
Airport										
Based aircraft	n/a	n/a	218	238	226	230	240	243	240	234
Operations	n/a	n/a	n/a	49,600	49,853	49,733	51,996	53,892	55,844	51,900
Fuel flowage	254,759	224,292	413,234	453,095	436,541	359,881	368,822	314,501	502,137	536,175
Transit										
Total ridership	83,721	87,348	105,646	115,676	135,299	143,873	138,112	137,658	82,803	82,955
Miles driven	417,148	451,595	408,172	507,114	568,925	595,784	550,925	571,279	448,267	412,270
General										
Building permits issued	1,752	2,062	2,256	2,711	3,161	3,284	3,233	2,916	2,124	1,485
Building inspections conducted	10,606	12,551	14,585	19,828	29,623	29,222	28,532	26,658	19,513	15,687
Land use actions	346	459	463	507	469	617	491	405	333	370

Source: Lake Havasu City departments.

LAKE HAVASU CITY, ARIZONA
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units										
Cars	28	28	28	28	28	28	30	32	38	34
Boats	2	2	2	4	4	4	4	4	4	4
Quads	6	6	6	6	6	6	6	6	6	6
Fire:										
Stations	4	4	4	4	5	5	5	6	6	6
Apparatus										
Fire trucks	8	8	9	9	9	9	10	11	12	10
Vehicles	16	16	16	18	20	20	23	22	21	21
Boats	1	1	1	1	1	1	1	1	2	2
Highways and streets										
Streets (miles)	421.0	421.0	423.0	423.0	423.5	424.0	424.5	425.0	426.0	428.0
Streetlights	30	34	34	80	80	84	84	84	84	84
Traffic signals	8	10	10	12	12	12	12	12	12	12
Culture and recreation										
Parks acreage	72.9	72.9	72.9	77.3	77.3	77.3	77.3	85.0	108.7	123.7
Parks acreage - Sara Park	-	-	-	1,082	1,082	1,082	1,082	1,082	1,082	1,082
Parks	6	6	6	6	6	6	6	10	14	15
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water launching facility	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	483	488	488	492	494	496	498	500	500	500
Installed meters	20,709	21,854	22,988	23,899	24,845	25,339	26,417	27,789	28,097	27,983
Fire hydrants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,645	2,684	2,684
Available acre feet	25,180	25,180	25,180	25,180	25,180	25,180	25,180	25,180	25,180	25,180
Sewer										
Sanitary sewers (miles)	120.0	125.0	125.0	125.0	146.0	155.0	165.0	175.3	203.4	237.8
Transportation										
Transit buses	16	16	17	19	19	19	19	19	15	16
Airport										
Enclosed hangars	72	72	72	72	72	72	78	78	78	101
Shade ports	27	27	27	27	27	27	27	27	27	25

Source: Lake Havasu City departments.

LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS
JUNE 30, 2008

Date of Incorporation	October 2, 1978
Form of Government	Council-Manager
Area	42 square miles
Education	
Number of Schools:	
Public Elementary	6
Public Middle School	2
Public High School	1
Alternative Schools	1
Charter Schools	3
Community College (Mohave)	1
Number of Students	
L.H.C. Unified School District	6,227
Alternative	30
Charter	638
Mohave Community College (3 campus locations in county)	14,677
Employees as of June 30, 2008	
Full-Time	521
Part-Time	244
Elected Officials	7
Total Payroll-Fiscal Year 2008	\$ 34,745,634
Elections	
Recall Election - September 2005	
Number of Registered Voters	25,649
Number of Votes Cast	11,984
Percentage of Registered Voters	46.72
Special Election - May 2006	
Number of Registered Voters	25,383
Number of Votes Cast	14,717
Percentage of Registered Voters	57.98
Last Municipal Election - November 2006	
Number of Registered Voters	26,388
Number of Votes Cast	15,902
Percentage of Registers Voters	60.26
At the time of incorporation	
Number of Registered Voters	6,053
Active Business Licenses	9,012
Economy:	
Number of Annual Visitors (estimate by the Convention and Visitors Bureau)	2,650,000
Lake Havasu City Municipal Airport	
Fixed Based Operators	2
Runway length (in feet)	8,000

LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICS
JUNE 30, 2008

Population

Census Population Count (calendar year)

2007*	55,263
2006*	54,610
2005*	53,435
2004*	51,700
2003*	48,945
2002*	46,400
2001*	44,200
2000**	41,938
1990**	24,363
1980**	15,926

* Arizona Department of Economic Security

** United States Census

2000 Census Information:

Age Distribution of Population

1-4 Years	1,957	4.7 %
5-17 Years	6,194	14.8
18-24 Years	2,405	5.7
25-44 Years	9,054	21.6
45-64 Years	11,633	27.7
65+ Years	<u>10,695</u>	<u>25.5</u>
	<u>41,938</u>	<u>100.0 %</u>

Median Age 47.5

Median Household Income \$ 36,499

Per Capita Income (2000) \$ 20,403

2000 Census information available at the following websites:

<http://www.census.gov/census2000/states.az.html>

<http://www.de.state.az.us/links/economic/webpage/index.html>